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Promoting social integration in post-conflict situations

Report of the Secretary-General

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I. Mandate

1. The present report has been prepared pursuant to paragraph 15 of the annex to decision 1 adopted by the Preparatory Committee at its first session (17-29 May and 15 July 1999).[1] In that decision, it requested the Secretary-General to report on suggested means to promote social integration in the context of post-conflict situations.

II. Summary

2. The World Summit for Social Development viewed its commitment 4 on social integration in such terms as respect for diversity, non-discrimination, tolerance, pluralism, equality of opportunity, solidarity, security and participation of all people.[2] In its Programme of Action, it recognizes that translating those values and principles into living conditions is not always easy: "the pluralistic nature of most societies has at times resulted in problems for the different groups to achieve and maintain harmony and cooperation, and to have equal access to all resources in society".[3] Achieving social integration is interconnected with progress made in the other 10 commitments of the Summit, including poverty alleviation, full employment and gender equality (commitments 2, 3 and 5).

3. The term "social integration", which implies unity, is defined largely by contrasting terms of diversity and pluralism. Holding the tensions of this paradox, of simultaneous movements towards unity and diversity, is a particular challenge in post-conflict situations as well as fast-changing societies. Failure to accommodate unity and diversity in political, economic, social and cultural terms will often have preceded violent conflict, and will usually have been further exacerbated by it.

4. Operationally, achieving social integration in terms of unity with diversity will usually require (and give rise to) particular skills and conditions, such as a greater awareness and tolerance of others, capacities for negotiating differences and change, institutions to sustain the tensions between integration and diversification and a range of practical opportunities for polarized groups to coexist and collaborate, and for marginalized groups to participate fully with others in the social, economic, cultural and political life of communities and countries.

5. Achieving social integration in post-conflict situations will require, in particular:

(a) Prioritizing the healing of individual and group relationships, which will include attending to traumatic stress, addressing hatred and vengeful feelings, facilitating expressions of remorse and fostering forgiveness;

(b) Designing practical projects and programmes that bring polarized groups together and integrate marginalized ones, addressing in this way the horizontal and vertical inequalities that frequently underpin violent conflict and are counted among its root causes;

(c) Promoting social dialogue as well as cultivating conflict management capabilities and institutions throughout civil society and, as relevant, within local and national government and international organizations.

6. Conflict is not always violent, nor even always a problem. It is something that occurs normally and continually throughout societies, an expression of diversity and change. It may even be a growth-producing factor when the groups in conflict are equipped with the capacity or life skills for managing and transforming it. These life skills have been relatively neglected compared with efforts to cultivate work skills, although both are needed. Where life skills are underdeveloped, and where such other factors, injustices, inequalities and unfulfilled aspirations are present, conflicts can become violent and protracted.

7. Almost a third of all countries in the world have experienced violent conflict in the past 10 years.[4] The scale and intensity of these conflicts, almost all civil wars, attest to a qualitative shift in the nature and conduct of war. A key feature is the demonization of the "enemy" community — defined in religious, ethnic, racial or regional terms — and the orchestration of vicious hate campaigns. In the process, traditional limits on the conduct of warfare, set by international instruments as well as local taboos and value systems, have been cast aside. Civilians have become the primary target, suffering trauma, injury and death, as well as the destruction of family and community life and of livelihood.

8. The legacy is widespread social breakdown, lawlessness, the proliferation of small arms and the involvement of multiple and often semi-autonomous warring groups. Crime and corruption easily take root in conditions of protracted social conflict, offering warlords opportunities to gain control of local and national economies, often supported by international criminal networks. The rise and consolidation of crime and corruption together with the spread of social chaos and the breakdown of institutions make post-war recovery particularly challenging.

9. Post-conflict recovery and transformation will span several interrelated domains — security, relief, rehabilitation and long-term development. In all these efforts, at local and national levels and in their analytic, training, conceptual, operational and policy components, social integration is best embedded rather than added on. How this is done must depend on the widely varying circumstances of post-conflict situations. The intensity of the destruction, the extent to which it had been directed against people or against property, the aspirations and expectations of the different groups and the practical opportunities for reparation and reconstruction will, among many other factors, determine how social integration can be achieved.

10. Embedding social integration in post-conflict recovery may require a deep social reconstruction of post-conflict societies and fresh approaches by many of the external donors and aid agencies. Civil society groups must be engaged in the process. And although Government is frequently weakened by protracted social conflict, its role is paramount in creating the enabling environment for social integration and will include institution-building towards social justice, conflict management, human rights, gender equality, equitable allocation of resources, augmentation of resources, capacity-building and other factors.

11. Social integration requires the collaboration of Government and civil society. It can be supported by external actors who design and implement their interventions through consultation with Government and the communities in question, viewing them as active agents of the post-conflict recovery. Often the pressure of meeting survival needs and the difficulty of understanding the conflict complexities lead external actors to overlook social integration dimensions while concentrating on technical services and provisions.

12. Many means of promoting social integration are discussed in the present report, but only a few are examined, owing to limitations of space. Section III delineates social integration measures that could be embedded in broad post-conflict processes. Subsequent sections focus briefly on the roles of civil society groups and actors (sect. IV); government (sect. V) and the international community (sect. VI). The report's scope is broad, providing an overview as well as, possibly, a foundation on which to construct a more analytic examination together with illustrative examples from recent post-conflict experiences — analyses and illustrations that could contribute to a culture and capacity for conflict prevention worldwide, even as inter-communal fault-lines appear and widen in unexpected places in all world regions.

III. Embedding social integration in post-war recovery processes

13. Post-war recovery entails transformation. The pre-war situation cannot be replicated, first, because the conflict will have irrevocably changed social relations and, second, because of a need to avoid recultivating the root causes of the conflict. Societies emerging from acute turmoil have qualitatively different needs from those of a stable society, and usually require a reordering of normal priorities and the incorporation of new ones. Post-conflict societies will themselves vary greatly, depending on the kind of damage done, the people's psychological and physical condition, the institutional capacity and credibility of Government and the role and resources that international actors bring to bear on the process. Because of the overriding need to avoid a recurrence of war and chaos, designing the transitional framework is essentially a political task. Among international actors, the Secretary-General has the key responsibility for preventive, peacemaking and peacekeeping efforts and will provide the central role in designing the post-conflict framework, in collaboration with all relevant actors, engaging thereby a wide array of expertise from all parts of the United Nations system, as well as from Governments and non-governmental organizations.

14. Recovery and transformation will need to span several interrelated domains, dovetailing security, relief, rehabilitation and reconstruction in ways that anticipate normal development activities and eventually flow back into them, once peace and the

recovery process have been consolidated. The root causes of the conflict must be identified and addressed during this process, including the causes of social disintegration, in order to avoid the pitfall of applying mere palliatives.

15. A number of social integration measures are discussed below, as relevant to different post-conflict domains, which tend to have distinct yet overlapping actors, objectives and timeframes. Embedding social integration measures in each of these domains, and applying them in a variety of situations on the ground requires particular knowledge of the conflict actors and environment.

A. Peace and security

16. Specific post-conflict peace and security measures may include short-term measures such as demobilization and disarmament of combatants, as well as lengthier processes such as reform of security forces and establishment of the rule of law, social justice and human rights. They may encompass new power-sharing arrangements. They will need to be politically acceptable, fitting cultural and historical realities, while also attempting to address the social roots of the conflict.

17. **Social integration components of political peace and security processes** may include, among others, and bearing in mind the highly sensitive nature of each post-war situation:

(a) Establishing dialogue between parties in conflict with the full participation of women and the inclusion of marginalized groups, ensuring thereby that peace arrangements and the post-war society flowing from them are inclusive and participatory;

(b) Reforming the relationship of the security forces with civil society; absorbing ex-combatants into community life and workplaces, together with the decommissioning of arms;

(c) Addressing crime, criminal networks and corruption;

(d) Addressing human rights abuses broadly, not only legally, which means grappling with past legacies, acknowledging present relationships and forging a common vision of the future;

(e) Establishing formal structures for truth and reconciliation, giving perpetrators' opportunities for expressing remorse and victims' opportunities to forgive;

(f) Securing a sustainable trade-off between reconciliation and justice.

18. Each of these measures could be examined at considerable length for its particular application in any number of different post-conflict settings. Regarding the balance between justice and reconciliation, to take one example, a society emerging from conflict has to weigh the victims' need for justice with the society's need to act as one and achieve closure. Imposed judgements could evoke further conflict. Excessive leniency could encourage people to take the law into their own hands. Trying to achieve the right balance could be time-consuming and expensive, without achieving reconciliation. Approaches should be related to the war's origins and its conduct — recognizing how historical animosities as well as the extent of war damage will condition reconciliation possibilities. Post-civil war Guatemala began the reconciliation process with a national dialogue among more than 100 organizations, which learned to communicate about previously shrouded issues. This dialogue was followed by efforts to identify victims' needs and to create conditions for them to pardon their aggressors. These arrangements were then institutionalized into a commission to investigate human rights violations.

B. Humanitarian relief

19. Saving lives is a primary aim of humanitarian relief, calling for rapid responses with food, water, shelter, sanitation, health and other essentials. External actors usually play a leading role, often in difficult circumstances, needing to avoid exacerbating relations between recipients by any hint of favourism, and avoiding also to treat recipients as objects rather than agents of their own lives, however severe their current limitations may be. Relief work must also strive, as much as possible, to anticipate rehabilitation and long-term development needs notably while organizing repatriation and reintegration programmes.

20. **Social integration components of humanitarian relief are mainly concerned with survival**, and include:

(a) Ensuring that vulnerable groups are reached during relief operations and that their particular needs are addressed;

(b) Providing relief in ways that avoid exacerbating inequalities or cultivating dependencies;

(c) Reinforcing relief recipients' innate capabilities for self-help (for example, through emergency employment programmes);

(d) Reuniting those members of fragmented families and communities that wish to be reunited;

(e) Exploring ways in which a percentage of relief aid for physical survival — noticeably more generous than aid for "preventive development" — could be channelled into building sustainable communities including their capabilities for conflict management and other coexistence skills.

21. In its "Peace through health" initiative in Bosnia and Herzegovina, the World Health Organization (WHO) modified its customary activities to add peacemaking components. It carefully evaluated the risks of doing so. It recognized that although health and peace were interconnected, WHO staff were specialists in health, not conflict resolution. Then after careful preparation, it designed health capacity-building activities with secondary peace-building components, essentially by carefully adding to health-care training a variety of possibilities for encounters and relationship-building among individuals from the communities in conflict.[5] The organization's broad mental health intervention model for the area comprised six interrelated segments: coordination, the collection of data, community orientation, capacity-building, clinical support and care for the caretakers.

C. Rehabilitation

22. Post-conflict rehabilitation is considered to encompass broad societal reconciliation, reintegration and reconstruction, usually occurring for up to two years, aimed at restoring the minimum functioning of society. Reconciliation generally focuses on eliminating societal tensions and animosities (broader than reconciling security forces and society, mentioned in sect. A above); reintegration on achieving viable coexistence of various post-conflict groups; and reconstruction on the physical, socio-economic, administrative and legislative infrastructures. Rehabilitation, thus, is a broad term whose constituent components are mutually reinforcing, since without reconciliation among the parties, conflicts can recur to undermine investments made in reintegration and reconstruction. And without concrete improvements in living conditions and basic needs, reconciliation is unlikely to hold.

23. **Social integration components of rehabilitation, of a concrete nature,** include:

(a) Enabling ex-combatants to acquire new peacetime life and work skills, together with reintegrating them into communities, workplaces and schools;

(b) Ensuring that women who developed economic enterprises and solidarity networks during wartime can maintain them with the return of peace when traditional gender roles may otherwise re-emerge to prevent them from doing so;

(c) Enabling farmers to return to farming by providing them with tools and seeds, and by removing landmines.

24. **Components relevant to mending relationships** will encompass, among others:

(a) Bringing conflicted parties together for joint planning and the execution of projects;

(b) Capacity-building in problem solving and conflict resolution;

(c) Creating neutral spaces where real and felt injustices can be voiced, thereby facilitating expressions of remorse and forgiveness;

(d) Providing a trusted neutral moderator to move parties towards conflict management and transformation;

(e) Facilitating public roles for local peacemakers, which may include traditional elders, women's groups and religious figures;

(f) Attending to traumatic stress, which may include recovery from torture, rape, abduction, war wounds, deprivation of basic needs, loss of home, loss of loved ones, harassment, persecution, ethnic cleansing and genocide.

25. Many of the above initiatives can be consolidated in area or territorially based development schemes. The receiving community's capacity and willingness to play

host to groups being reintegrated needs careful attention and reinforcement. It can help to identify stabilizing points for launching and managing projects, such as teachers and schools, women's groups, farmers cooperatives, traditional elders and youth associations; business and worker associations, health centres, multi-ethnic project-oriented groups. When conditions are not too severe, measures may include collective planting and animal husbandry, healing rituals, music and dance and sports events. Area development can be sustained by national policies supporting decentralized development and by United Nations country teams and their thematic groups, where established. Area development schemes need to be implemented equitably across the country, so as to avoid uneven development as well as resentment by the people of neglected areas.

D. Long-term development

26. Long-term development operations will usually seek to address structural inequalities and asymmetries, particularly exclusions from wealth and power, which may have contributed to the conflict in the first place. This may require a departure from pre-conflict development strategies, particularly when they are seen to have contributed to the conflict. The negative effects of the war must be taken into account in post-conflict development strategies, including means of overcoming tensions and hatreds in order to achieve coexistence and the possibility, in time, of harmonious relationships built on the principles of social integration: participation, diversity and pluralism.

27. **Social integration components of long-term development** will include economic and social measures, which are closely, even inextricably, linked. For analytic purposes, however, they are examined separately in section IV below. Economic measures may include:

(a) Curtailing corruption and preventing the criminalization of the economy;

(b) Addressing poverty by all means possible, including land reform, vocational training, enterprise training, micro-credit, health, housing and other schemes;

(c) Launching job-creation schemes through dialogue between workers, employers and Government as a means of bringing together the parties in conflict;

(d) Creating conditions that attract domestic and foreign private investments in productive activities that emphasize employment rather than capital;

(e) Developing guiding frameworks for the business sector's role in post-conflict situations.

IV. Social groups and actors

28. Social groups relevant to post-conflict social integration that are highlighted by the Copenhagen Declaration and the Programme of Action include war victims and veterans, minorities and indigenous people and vulnerable and disadvantaged groups. Civil society actors recognized by the Summit include women (commitment 5) as well as older persons, disabled persons, youth and various civil society institutions.

29. Post-conflict social integration measures pertaining to civil society groups and actors have been highlighted in section III above. A more focused look at their roles is taken here, mainly to identify potential contributions but also recognizing some risks and needs. The text is indicative but not exhaustive.

A. Major social groups

30. Major social groups examined here include victims and veterans of war; minorities and indigenous people; and disadvantaged and vulnerable groups.

31. **The victims and veterans of war** are many: refugees, returnees, internally displaced persons, the war widowed and orphaned, the injured and rape victims, the dispossessed and homeless, traumatized families and communities, asylum seekers, ex-combatants and child soldiers. Each one of these will have distinctive post-conflict recovery challenges. Among children, to take one of the above, the categories of veteran and victim may tragically converge. The involvement of children up to the age of 18 in acts of extreme violence can traumatize, desensitize and predispose them to achieving ends by violent means. Girl soldiers are frequently subjected to sexual abuse and, with the return of peace, not infrequently caught up in prostitution. At a formative age, children expose to violence may forge their identities based on belligerence and fuelled by ideologies of hate. They may never learn to delay the immediate gratification of needs. Given alternatives,

children need not perpetuate these anti-social behaviours. For example, a survey of child soldiers in Liberia found that their preferred alternative to soldiering was to return to school (to which end they were given school vouchers in return for reconstruction work). Building the life and work skills of child soldiers in post-conflict situations may require special remedial classes, resilience and trauma counseling, and apprenticeships that allow them to earn some money. Their reintegration into school, work, home and community is often difficult because of the wartime experiences but also because of the loss of childhood years.

32. **Traumatic stress** among children as well as adult men and women can overwhelm, isolate and destroy belief in self and expectations of a future and undermine trust in others and belief in society. It can undermine the capacity to relate, to learn and to work. It can affect not only individuals, but families and communities. Its effects can be immediately apparent, or delayed for years, when they may erupt unexpectedly. Early recognition is critical, including recognition of the wide variation in how individuals and groups respond to extreme stress. Some manifest resilience, others do not. The choice of intervention is critical, and must be appropriate to each target audience's needs and coping mechanisms, ranging from spiritual services to scientific procedures. Family and community solidarity may be the most effective healing factor in many societies. As well, the impact of traumatic stress on United Nations mission staff needs attention. These were among the issues examined at an informal consultation, in February 2000, of the Division for Social Policy and Development and the Office for the Coordination of Humanitarian Affairs of the Secretariat and a number of international experts in the area.

33. **Minorities and indigenous people** may have been caught in the conflict as identity-based groups defined as "other" because of race, ethnicity, religion, language, locality, etc. While identity-based groups usually cherish their distinctive characteristics, the same traits are often stereotyped and devalued by dominant groups as a prelude to their marginalization and exploitation. As groups (and occasionally majorities) resist such treatment, and as their aspirations rise without opportunities for satisfaction, polarization invariably ensues. Polarized groups will employ varied means for resolving their differences, including collaboration, persuasion, manipulation, coercion or violence. Conflict management training will help provide alternatives to violence and opportunities for joint participation in the design and execution of concrete projects will help consolidate non-violent relationships by bringing cross-conflict parties together in mutually beneficial enterprises where getting to know each other is the by-product but, from a long-term perspective, a priority product of such endeavours.

34. Collaboration among cross-conflict parties needs careful design and patient implementation, as the War-torn Societies Project (WSP), launched by the United Nations Research Institute for Social Development in 1994, found in its post-conflict adaptation of participatory action research. Participatory action research emerged in the late 1960s and 1970s as a means of empowering discrete social groups at the local level: peasant farmers, agricultural labourers, slum dwellers, workers and indigenous groups. WSP adapted its methodology in two notable ways. First, all the affected conflict groups were involved and, second, the scope of operation was national, not local. By trying to engage all affected actors, and by operating at the national level, WSP concentrated on mending relationships between the many divisions in post-conflict societies.

35. **Disadvantaged and vulnerable groups** do not usually share as tight a collective identity as do the identity-based groups mentioned above owing, partly, to their diffusion throughout all groups, as well as because of their customary disadvantaged positions in societies. With some exceptions, vulnerable and disadvantaged groups are more likely to be victims than perpetrators of violence; they include: the poor and migrants, as well as retrenched and unemployed workers; the chronically ill and persons with physical or mental disabilities; children, including abandoned or orphaned children and unaccompanied minors; pregnant women; the frail old and older persons; and widows without families. When primary caretakers are compelled to devote their time and energies to survival struggles, they are not always in a position to assist vulnerable groups.

36. Though classified as vulnerable, many individuals within these categories are not inherently weak so much as disadvantaged by an environment maladapted or hostile to their needs and aspirations, which conflicts further exacerbate. Post-conflict

development strategies need to remedy socially constructed disadvantages by adopting universal design. This will require combining equal opportunities for all with special opportunities for some. Special opportunities or affirmative action, if not carefully designed, can be abused by non-eligible persons, provoke a back lash by non-included groups, and even engender dependencies within the targeted populations.

37. Through its concept of "a society for all", the Social Summit gives vulnerable and disadvantaged groups a platform for action. A society for all implies inclusiveness, which can be made possible by universal design of the physical and technical as well as the socio-economic environment. In post-conflict situations, the ideal of a society for all, together with truly universal design applied to removing obstacles to participation, can guide the recovery and transformation process, even if its translation into real living conditions must be slow and incremental over the course of several generations.

B. Civil society actors and institutions

38. Citizens can help to bring about post-conflict social integration in a variety of ways, most of them customarily overlooked, although some are highly acclaimed on occasions. Their initiatives are helping to redraw established approaches to war and peace. Their initiatives for peace are not without difficulties, and may be viewed by some with distrust and suspicion. Their efforts can have positive and negative effects, which need to be examined when designing post-conflict social integration initiatives.

39. **Religious or traditional leaders** (including from indigenous and minority groups) can draw on traditional conflict management techniques for application within their own communities and sometimes across parties in conflict. Members of the diaspora can provide a war-torn country with an important source of capital, expertise, international connections and influx of new ideas and values (though their role may also be controversial when they supply arms to groups in conflict). The private sector can create a climate for peace through economic activity and support for the return of security and the rule of law (though some may work against this having established a criminalized economy that thrives on strife). The media has the capacity to provide fair and complete reports that promote dialogue and reconciliation (or, conversely, to exacerbate relations through biased and inflammatory information). The media can also provide a voice for disputants, enabling parties to learn of each others' positions, as well as a voice for the disadvantaged and for peacemakers. It can address social concerns, giving information about missing persons, landmines, health hazards and war trauma, as well as the demobilization process, peace accords and the 1949 Geneva Conventions on treatment of prisoners, wounded and civilians.

40. **Youth, elders, persons with disabilities and migrants** have particular life experiences and perspectives to bring to post-conflict social integration, notably in the rehabilitation and subsequent development periods. Youth can bring fresh energy and perspectives and, when allowed personal interaction with opposing parties, are usually quick to engage in meaningful debate and seek innovative solutions. Older persons are not necessarily wiser than others, but an accumulation of life experiences can foster depth of perception and understanding and a willingness to promote peace and serve as mediators and counselors, if given the opportunity. Persons with disabilities can act as catalysts for redefining narrow concepts of ability and normalcy and, relatedly, of human diversity together with strategies for translating this broader vision into socio-economic and physical infrastructures. Migrants usually have the experience of living simultaneously in two or more cultures, their culture of origin and that of the receiving country, and are challenged to achieve syntheses and synergies between these, just as parties in conflict must find syntheses and synergies in their opposing positions and perspectives in achieving coexistence.

41. **Women** are among the worst hit by violence. Effects of wartime rape may include psychological trauma, social ostracism and subsequent divorce and abandonment. Rape has been recognized as a heinous crime under international law, most recently in the statute of the International Criminal Court. Paradoxically, some wars may create opportunities for women to transcend traditional gender-role limitations by both allowing and compelling them to devise economic survival strategies and welfare networks which they may lose with the return of peace if that does not bring a transformation of gender role restrictions. Despite exclusion from decision-making, women are often among the first to take steps towards peace as informal negotiators, lobby groups,

campaigners and demonstrators. The Platform for Action of the Fourth World Conference on Women adopted at Beijing in 1995 calls for equal opportunity for women to participate in peace forums and activities. Women's participation in post-conflict decision-making can help lay down foundations for gender equality in all facets of social, economic and political life. Post-conflict programmes and projects for women's social integration need to be especially tailored to their capabilities and aspirations yet mainstreamed in ways that also encompass men.

42. Ultimately, the capacity to achieve peaceful rather than violent settlement of disputes depends on men and women seeing peaceful coexistence as a possibility and cultivating the skills relevant to reaching and maintaining it. This departs from many customary expectations and behaviours. It also brings into question the role that women as well as men play in socializing children, particularly boys, for coexistence. In most societies violence is culturally masculinized. Masculinities, however, are varied, dynamic and constantly changing and need not be equated with violence. Attention to gender roles stereotyping has progressed far for women but is just beginning for men. Arguably the seeds of war and peace are being sown in the identity sets being offered to boys and girls as they develop their basic orientations to conflict resolution.

43. Civil society actors can bring to post-conflict social integration a rich repertoire of life skills which, like work skills, require continual cultivation. The International Labour Organization (ILO) included a discussion on life skills in its Guidelines for Employment and Skills Training in Conflict-affected Countries (1998). Broadly speaking, life skills would include capabilities for adjusting to change, for reframing conflict and distinguishing between real needs and stated positions and for being resilient under adversity. Life skills would also include an ability to seek vital information, meet basic needs and make wise choices. In relations between conflict groups, it would mean an ability and willingness to identify common interests and forging a shared vision of the future. Life skills can be cultivated throughout traditional kin networks, schools, religious communities, work situations and in refugee and demobilization camps.

44. Potential contributions from civil society actors have been highlighted here, but not the obstacles they might face in doing so. The negative impact of certain civil society groups — violent gangs, extortionists, corrupt traders, etc., have not been examined here, but their role should be considered in a longer analysis. Civil society works best when it can work in partnership with Government, and when Government provides a fair and secure environment for its activities.

V. Role of Government

45. Government's role is paramount in achieving post-conflict social integration, in partnership with civil society. This can be difficult where Government has collapsed, or has been associated with the conflict. The restoration of good governance is a precondition to establishing social integration, including restoration of such traditional elements as rule of law, security, human rights, transparency, and legitimacy. In addition to these, social integration will require institutions that promote human dignity, equitable development, dialogue and participation, a national consensus on norms including tolerance, as well as the engagement of all actors in forging and working towards a shared vision of the future.

46. Social integration needs to be enshrined as government policy, not viewed as a by-product of other activities. And it needs to be embedded in national post-conflict technical reconstruction, administration of justice and service delivery. The Summit's Programme of Action recommended, in paragraph 73 (h) that State institutions set an example in promoting and protecting "respect for freedom of expression; democracy; political pluralism; diversity of heritage, cultures and values; religious tolerance and principles; and the national traditions on which a country has been built". As a microcosm of society, the public service should therefore reflect inclusiveness and diversity with its internal recruitment and promotion policies maintaining ethnic, regional, gender and other balance, and its external outreach of services being similarly comprehensive and equitable.

47. Crucial to social integration in war-torn societies is Government's capacity to govern diversity: that is, to manage conflicts and mediate competing interests so that social groups find peaceful channels of expressions. As well, facilitating opportunities for civil society groups to participate in reconstruction will energize them and generate new social forces for

expanding social capital and sustaining recovery into the long term.

48. Institutionalizing social integration implies, in particular, inclusive governance policies and practices that seek to reverse polarization and exclusion, thereby ending preconditions for the recurrence of violence. Achieving inclusion may take time, particularly when some groups have had little access to education, putting current generations of adults at a disadvantage in competing for decision-making positions. Creating foundations and frameworks for inclusion is more important than government attempts to replicate one particular governing model or another. Beyond that, social integration implies a deliberate effort to seek out and lay the foundations of a culture of peace.

49. Beyond these general considerations, a number of specific governmental measures can help promote social integration in post-conflict situations, adapted as necessary to each situation. These include:

(a) Ensuring the legitimacy of key governance institutions, i.e., a neutral, competent, professional civil service free from corruption and responsive to the needs of all citizens; a police force adhering to international standards of human rights; a military accountable to civilian authority; and trained and functioning judiciary free from undue influence;

(b) Formulating constitutional designs and institutional structures that foster inclusion and balanced power-sharing, together with a system of representation that safeguards minority groups and matters;

(c) Establishing administrative machinery that regulates competing interests, insulates decision-making from political pressures of dominant actors, harmonizes local and national interests, manages intra- and inter-State conflicts;

(d) Revitalizing traditional conflict-resolution mechanisms that may have broken down and creating a synthesis of these and modern mechanisms, as feasible and appropriate, including councils of elders, ombudsman institutions, mediation centres, court-annexed mediation programmes, peer mediation and public education in dispute resolution;

(e) Nurturing trust and a sense of allegiance through freedom of the press, public hearings, truth and reconciliation commissions, town hall meetings and national conferences and by revising educational curricula to reflect a country's current and historical diversity;

(f) Devising and implementing development programmes that, through their activities, promote communication, tolerance, coexistence and pluralism among previously conflicting groups;

(g) Providing gender-balanced leadership training and training for governance at the local and national levels with outreach to formerly excluded populations;

(h) Strengthening the State in various ways, including those mentioned above, for it to encourage and not be threatened by the emergence of a robust civil society.

50. In sum, post-conflict situations are difficult to govern yet offer opportunities for systematically designing inclusive and participatory structures, in place of exclusions and polarization that may have engendered the conflict and are likely also to have been exacerbated by it.

VI. International support

51. External actors contribute major financial resources and specialized expertise to help mend war-torn societies. Their involvement also brings risks. Their first crucial role is often to help end armed conflict. This may involve arranging a political truce, re-drawing socio-political structures, and shaping post-war reconstruction priorities. Clearly, in all of these tasks, external actors can be influential in promoting social integration, provided their activities are sensitive to national needs, realities, capabilities and aspirations.

52. External actors and activities in post-conflict recovery are too numerous to list here. Establishing cohesion and coordination among them is always a challenge. In his 1997 United Nations reform package (see A/52/1, para. 124), the Secretary-General indicated that the Department of Political Affairs, in its capacity as current convenor of the Executive Committee on Peace and Security, would be the focal point within the United Nations for post-conflict peace-building. The Executive Committee on Peace and Security, in collaboration with other executive committees as appropriate, would be responsible for the design and implementation of post-conflict peace-building initiatives, including the definition of objectives, criteria and operational guidelines for post-

conflict peace-building by the organizations of the United Nations system.

53. In the immediate post-conflict situation, the prime coordinating role often lies with the Office for the Coordination of Humanitarian Affairs of the Secretariat. Depending on the circumstances, major coordinating roles may also be played by the Department of Peacekeeping Operations, the United Nations Development Programme (UNDP) or the Office of the United Nations High Commissioner for Refugees (UNHCR). In varying ways, other United Nations entities may be engaged in the post-conflict process, including the World Food Programme (WFP), the United Nations Commissioner for Human Rights, the Special Representatives of the Secretary-General for Children and Armed Conflict and the Special Representative of the Secretary-General on Internally Displaced Persons. The World Bank is supporting post-conflict reconstruction in many places. Several of the specialized agencies are also very active, but only a few of their initiatives are mentioned in this report because of space limitations.

54. Social integration is promoted by many United Nations entities and, in particular, by the Department of Economic and Social Affairs, through its Division for Social Policy and Development. The Department aims to strengthen social integration by various means, including by promoting common norms and developing policies, programmes and cooperative actions.

55. Social integration can be guided by many United Nations instruments, including the Charter and the Universal Declaration of Human Rights, which highlight the rights of individuals. Minorities' rights are upheld in the International Covenant on Civil and Political Rights, and are further elaborated by the Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities; by the International Convention on the Elimination of All Forms of Racial Discrimination, and by the Declaration on the Elimination of All Forms of Intolerance and of Discrimination based on Religion or Belief. The rights of women and children are upheld in, respectively, the Convention on the Elimination of All Forms of Discrimination against Women, and in the Convention on the Rights of the Child. The status of persons with disabilities is addressed in the Declaration on the Rights of Mentally Retarded Persons, and in the Declaration on the Rights of Disabled Persons. The status of older persons is upheld by United Nations Principles for Older Persons, together with general comment No. 6 of the Committee on Economic, Social and Cultural Rights. In addition, ILO and the United Nations Educational, Scientific and Cultural Organization (UNESCO) have adopted instruments supporting equality for individuals and groups in work and education.

56. Post-conflict needs invariably bring about a convergence of rights, development and peace-oriented actions. Post-conflict peace-building was among the concerns raised in the Security Council during its unprecedented "Month of Africa" (January 2000) debate which examined the impact of human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) on peace and security in Africa and addressed the prevalence and recurrence of conflicts including, in particular, the situation in the Democratic Republic of the Congo, which could be characterized as a combination of "pre, during and post" conflict situations presenting daunting social integration challenges.

57. Generating political will, resources, collaboration and cohesion is a continuing challenge to external actors in post-conflict situations. And although the role of external actors in supporting post-conflict social integration is great, as indicated in section III above, they may also delay or derail integrating because of: (a) varying or even contradictory agendas and approaches among aid agencies, causing division or confusion among targeted groups; (b) applying aid with insufficient attention to its peace-promoting or conflict-inducing impact; (c) failing to foster timely local ownership and control of the recovery process; (d) inattention to conflicting perceptions between donor and recipients, even regarding such basic concepts as self-reliance and partnership; and (e) inflated expectations generated by political rhetoric intended to buy temporary peace or placate selected groups or by temporary emergency measures that cannot be sustained.

58. In view of the complexities of social integration, external actors often shy away from supporting it in favour of technical exercises. Unresolved, however, the human conflicts tend to resurface and undermine technical reconstruction. Ultimately, the root social causes of conflict need to be addressed. The international community has a wealth of capabilities to bring to bear on rebuilding, which can be further

cultivated to become more closely attuned to the needs of post-conflict societies. The continuing challenge is:

(a) To respond urgently, flexibly and pragmatically in ways that do not exacerbate tensions. This may require a downward transfer of authority from headquarters to the field, as well as special budgetary reserves;

(b) To listen, discuss, facilitate and empower more. These somewhat intangible human factors are often overlooked because of emergency survival needs as well as donor demands for concrete outputs and measurable results;

(c) To better understand local and national actors, forces and dynamics and embed this understanding in policy and programmes;

(d) To adapt external assistance to local socio-political realities, which usually have a different logic from those prevailing at Headquarters;

(e) To transfer power and ownership to local actors, which means accepting the implications this may have in terms of redefined objectives and priorities;

(f) To adjust customary evaluation criteria, such as definite time-frames and tangible products, recognizing that the indirect impact of assistance on relationships often counts more than the immediate objectives pursued, and that influencing the way people see themselves and each other and their authorities and institutions can be more important than technical results;

(g) To assess and conduct research, such as assessments on the impact of conflict, participatory action research and gender analysis of post-conflict recovery and rebuilding;

(h) To support countries in strengthening their governance capacities to analyse problems and conflicts, and in strategizing their own solution;

(i) To wait and watch (which presumes exceptional sensitivity on the part of decision makers in the field and at headquarters) the evolving political and societal dynamics and to allow flexibility in timetables and rebuilding plans.

59. With the above risks and capabilities in mind, guiding principles of social integration for international actors might stipulate that interventions be, among others:

(a) Situation appropriate, adapted to each post-conflict situation;

(b) Culturally sensitive and nationally owned;

(c) Consultative and inclusive of all affected actors (in varying but comparable ways);

(d) Appropriately timed, targeted and guided by a "do-no-harm" principle;

(e) Practical and concrete, providing opportunities for conflicting parties to work together;

(f) Embedded in existing external frameworks that themselves are flexible, coherent and comprehensive in their conceptual and operational approach.

60. Beyond post-conflict situations, social integration may also be embedded in such broad measures as the Millennium Assembly and Forum, the International Year for the Culture of Peace, 2000, the United Nations Year of Dialogue among Civilizations, 2001, the World Conference against Racism and Racial Discrimination, Xenophobia and Related Intolerance, 2001, the Hague Agenda for Peace and Justice for the Twenty-first Century and other such initiatives. Any one of these current initiatives would provide a suitable platform for developing a framework for living with unity and diversity in the twenty-first century, encompassing the necessary institutions, knowledge, values and life skills.

VII. Conclusions and recommendations

61. Writing five years after the event, the independent commission appointed by the Secretary-General to inquire into the actions of the United Nations during the 1994 genocide in Rwanda (S/1999/1257) noted, among its final observations, that the aftermath of the genocide was still a reality — in the pain of those who had lost loved ones, in the efforts to build reconciliation between Rwandans, in the challenges of bringing those responsible to justice and in the continued problems of displacement as well as in the efforts to find ways to balance the needs and interests of those who had survived the genocide within Rwanda and those returning from lives as refugees abroad. The commission stated that the challenges of

the future were ones where the United Nations could help Rwanda to rebuild and reconcile.

62. The focus of the present report has been on rebuilding the social fabric and on reconciling polarized groups — essential components of social integration — which are continuing challenges in South Africa, Guatemala, East Timor, the former Yugoslavia and Northern Ireland to name a few post-conflict situations (at the time of writing). All social integration measures must be tailored to meet each situation's particular circumstances, including the spiralling nature of many protracted conflicts where pre, during and post-conflict situations roll into one another.

63. Recommendations for promoting social integration in post-conflict situations encompassing the four main areas of the present report — post-conflict processes, together with capacity-building within civil society, Government and international actors — include immediate attention to the following:

(a) Embedding social integration in post-conflict recovery processes by further developing culturally and gender-sensitive tools (research, training, guidelines) based on analysis of recent experiences encompassing questions of resilience, traumatic stress, forgiveness and other related matters. Immediate measures should include:

(i) Distilling lessons learned from recent United Nations and other experiences in post-conflict situations that could help to understand and support social integration in terms of sustaining unity in diversity;

(ii) Developing policy and intervention guidelines for assessing and responding to the impact of traumatic stress on individuals, families and communities in countries with varying needs, as well as for United Nations personnel in the field;

(iii) Devising nationally coordinated area or territorial development schemes that achieve integration of war veterans and victims, and of traditionally polarized and marginalized groups;

(b) Facilitating civil society's capabilities for living with unity in diversity, including essential life skills, business sector frameworks, media roles and consensus-forming participatory action research, specifically by:

(i) Elaborating a basic repertoire of life skills (such as dialogue and resilience) needed for social integration in pluralistic societies and exploring their application in communities, workplaces, schools and religious institutions;

(ii) Devising a framework for the private sector's social integration role in post-conflict situations, delineating possible resources, rewards, risks and benefits for both businesses and local communities;

(iii) Clarifying the wide range of media roles in post-conflict situations, including dissemination of practical information and balanced discussion of conflicting views, on the one hand, and inflammatory reporting, on the other;

(iv) Adapting participatory action research as a tool for developing consensus, setting goals and securing practical collaboration between and among conflicted parties, and also between Government and civil society;

(c) Strengthening national capacities for providing an enabling environment for social integration at the local and national levels, by establishing or strengthening:

(i) Institutions that foster rule of law and social justice, including an impartial judiciary, reconciliation commissions, ombudsman's offices, electoral commissions, national conferences/*observatoires* and human rights commissions;

(ii) Institutions and programmes that create opportunities for dialogue, such as mediation centres, peer mediation and educational programmes in conflict management;

(iii) Varied power-sharing arrangements fostering allegiance and nation-building that are inclusive, consensual and participatory;

(iv) Development initiatives that have mainstreamed the cultivation and practice of conflict-resolution, collaboration and coexisting attitudes and skills;

(d) Enhancing the international community's awareness of social integration throughout its analyses, research, training, information exchange and operational activities pertaining to latent and manifest

conflict situations, specifically, by crafting interventions that:

(i) Foster local ownership and control over the recovery process;

(ii) Are sensitive to their impact on the peace/conflict environment;

(iii) Are responsive to the psycho-social and cultural dimensions of post-conflict and post-trauma recovery;

(iv) Encourage the international community to incorporate social integration aspects into broader post-conflict, peace-building strategies developed in the peace and security area of the United Nations. The executive committees of the Secretary-General should undertake the necessary groundwork for this goal according to their established distribution of labour.

64. In sum, the present report has presented a broad canvas of measures, and a central message. Its message pertains to the importance of achieving unity with diversity, by cultivating tolerance and trust in post-conflict situations, as well as participation and pluralism, terms used by the Summit to define social integration. Prior to the first session of the Preparatory Committee, this understanding of social integration had been relatively neglected since the Summit. Most countries have approached the question of social integration in terms of service provision, a topic closely related to poverty alleviation; or in terms of employment provision. Poverty alleviation and employment may be seen as preconditions and consequences of social integration. Yet, social integration is also a distinct area requiring clearly defined operational strategies. In post-conflict situations such strategies would include: (a) reconciliation and healing of traumatic stress; (b) practical experiences in cooperation for parties in conflict; and (c) cultivation of life skills or capabilities for living with diversity.

65. The social integration delineated in the Summit's Declaration and Programme of Action supports neither forced conformity nor unbridled diversity. It encourages a convergence or accommodation between them. Unity of values, principles, aspirations and lifestyles can provide coherence, solidarity and strength. Diversity of these factors can broaden understanding and foster innovation. Each has its merits; achieving their synthesis is the challenge. Unity without diversity can degenerate into coercion and ultimately civil strife, just as diversity without an underlying unity can lead to strife and sometimes secession.

66. In operational terms, achieving social integration calls for a holistic and a systems perspective on society, one that seeks to understand the interrelationship of many players and processes. Where biased perspectives of one sort or another have dominated, the transition to an integrated way of functioning will have many steps, including both the deconstruction and reconstruction of society along conceptual, emotional and organizational lines.

67. The intersection of social integration and post-conflict reconstruction is both broad and deep. Social integration provides a particular approach to post-conflict reconstruction. Post-conflict situations provide opportunities for better understanding the dynamics of social disintegration from which to learn the skills of integration, which are valuable tools for a time of rapid and unprecedented global change that is generating continuing need for negotiating the processes of social integration in peaceful as well as post-conflict situations.

Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45* (A/54/45), para. 72.

[2] See *Report of the World Summit for Social Development*, Copenhagen, 6-12 March 1995 (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I, para. 29.

[3] Ibid., annex II, para. 66.

[4] "Rebuilding after war, Lessons from the War-torn Societies Project", 1999.

[5] World Health Regional Office for Europe case study, "Peace through health programme in Bosnia and Herzegovina", September 1998.

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Seminar on Values and Market Economies

Note by the Secretary-General

1. In its decision 5,[1] taken at its organizational session in 1998, the Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives invited Governments to contribute to the work of the Preparatory Committee and the special session and the organization of expert group meetings, seminars, symposia and workshops to be held by the Secretariat on issues of relevance to the special session, both of which would contribute to the consideration of such issues by the Preparatory Committee.

2. Accordingly, in preparing for the second session of the Preparatory Committee, the Department of Economic and Social Affairs of the Secretariat, in cooperation with the Government of France, organized a seminar on values and market economies. The seminar was held in Paris from 19 to 21 January 2000. The seminar brought together representatives from Governments, the private sector, academics, religious organizations, experts from the United Nations system and representatives of non-governmental organizations. The Secretary-General wishes to express his thanks and appreciation to the Government of France for hosting the seminar. The report of the seminar is contained in the annex to the present note.

* A/AC.253/12.
[1] See *Official Records of the General Assembly, Fifty-third Session, Supplement No. 45* (A/53/45), chap. VI, sect. B.

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Annex

Report of the seminar on values and market economies, Paris, 19-21 January 2000

Summary

A precedent to the discussion on values, within the official framework of the United Nations and as part of the preparation for the World Summit for Social Development itself, was the seminar of October 1994, held in Bled, Slovenia, on "Ethical and spiritual dimensions of social progress". The Copenhagen Declaration on Social Development,[1] adopted at the Social Summit in 1995, recognized the need for "dynamic, open, free markets"[2] and reflected such values and goals as are endorsed by the international community through the United Nations, upon the foundation provided by the Charter and the Universal Declaration of Human Rights.[3]

The extent to which and the manner in which market economies, and their globalized part, ought to be modified, oriented, regulated, in order to improve their contribution to the betterment of the human condition throughout the world, constitute a question being addressed from many perspectives. At the seminar, the shared perspective was universal and normative. The market economy system, and its diverse avatars were debated from the viewpoint of the moral norms and values the system reflects, propagates, implements or threatens. Using national and regional examples, this reflection aimed at the universal, because the United Nations is concerned with the common good of humanity.

The present report begins with the reasons for reflecting on values and market economies and proceeds to examine how these "values" should be understood and what those "values" are that are expressed by the dominant market economy system. Material poverty in its extreme forms should be eradicated and inequalities of all types should be reduced while disseminating the founding values of the market economic system.

The seminar identified a number of intellectual and moral attitudes in approaching issues of values and society. The capacity to listen, *inter alia* to "hear" those who are silent, is a sine qua non of any reflection and debate on values. The person ought to be at the centre of all policies and economies ought to serve human welfare. The frequent gap between discourse and practice, rights and concrete situations, beautiful abstract pronouncements and sordid living conditions, words in the wind and words followed by action, which is a feature of the human condition and a testimony of human failing, should nevertheless be seen as a constant danger, and temptation, to be overcome if any pronouncement on values is to have credibility.

This report proceeds to explore the objectives to be pursued and questions to be addressed. It was emphasized during this seminar that a "new political project" was a necessary counterweight to the ideas and interests promoting global capitalism. New relevant developments include the shifting away from a "State-centric" world with emergence of new actors; changes in geopolitics with evolving security relations; and the forming of new coalitions involving those who protest against "globalization from above" and the Governments of countries that are currently not represented in world decision-making processes. In a similar vein, the use of "an overall social

philosophy" was advocated to balance the currently dominant individualism. International organizations, notably the United Nations, were called upon to reinforce and develop the involvement of non-governmental organizations in their work.

A number of specific suggestions, more of an institutional nature and pertaining to the international scene, were made but could not be debated upon owing to lack of time. These are enumerated in the last section of this report for further debate. The list of participants is contained in the annex to this report.

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[1] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I., resolution 1, annex I.

[2] Ibid., sect. C, commitment 1 (e).

[3] General Assembly resolution 217 A (III).

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I. Three reasons for reflecting on values and market economies

1. Economies are arrangements for the production and exchange of goods and services that reflect the values of their actors and in turn contribute to forming the moral and political contours of society. In the ethos that shapes the prevalent modernity and the process of globalization, this contribution is massive. The public discourse is dominated by the quest for prosperity and economic power. Individuals have their lives organized around their professional career as a source of income, personal satisfaction and social status. The institutions of market economies, be they corporate headquarters, banks, supermarkets or advertisements, have a commanding position in the urban scenery. They dwarf religious buildings, schools and theatres, and compete successfully with State institutions. In the modern psyche, progress is largely identified with technological change and economic development.

2. To this first reason for reflecting on the relationships between values and economies may be added the fact that market economies differ greatly in the quality of their contribution to social objectives. Some generate improvements in the level of living of all social groups and classes. Others tend to create a concentration of financial power. Some are regulated by laws and moral norms ensuring a fair level of decency in their modes of operation. Others are marred by cynicism and corruption. However dominant in the collective agenda, economies are not ends in themselves. Their quality has to be gauged with social and moral criteria reflecting the values of the communities concerned. From the perspective of the United Nations, of the principles and goals of its Charter, national economies and the emerging global economy have to be assessed in relation to their contribution to the betterment of the human condition, a goal that conferences such as the World Summit for Social Development has translated into commitments and policies.

3. Moreover, there is growing recognition by economists, other social scientists and politicians that the performance of a market economy, as measured by traditional indicators such as the growth of the national product, is largely attributable to the skills, values and norms of behaviour of its actors. Not only entrepreneurs, workers and employees and their associations and unions, but also consumers as well as public servants and legislators, shape the specific characteristics of an economy by the aspirations they have and the decisions they make. There is a continuum from the micro- to the macrolevel of functioning of an economy. The culture of its actors is probably more important than its endowment in natural resources. What is sometimes called the "new economy", with its emphasis on knowledge, information and communications, can only reinforce the prominence of this cultural element in accounting for differences in economic performance.

II. How should "values" be understood?

4. The most important values emphasized by the Social Summit are directly taken from the Charter of the United Nations and the Universal Declaration of Human Rights,[a] with the critical addition of the notion of sustainability which gained international recognition through the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992. These values, as they particularly relate to the functioning of market economies, are everyone's right to an adequate standard of living, the enjoyment of freedom and other basic rights, including workers' rights, a sustainable style of economic development in physical, moral and political terms, an openness in the relations of economic agents and countries, respect for diversity in the context of sharing core values, and cooperation of all concerned in the construction of a democratic and fair world order. In a United Nations perspective, those are the values that should, for instance, inform judgements on the current process of economic globalization.

5. The claim of these values to universality stems from their embodiment in texts and treaties duly ratified by most nations of the world, starting with the Charter and including the International Covenant on Civil and Political Rights[b] and the International Covenant on Economic, Social and Cultural Rights.[c] Of equal significance is the related fact that fundamental values are common to the great religions and philosophies that humankind has invented to move beyond the state of nature. What ought not to be done, for instance, to kill, abuse or exploit one's fellow human being, and what ought to be done, for instance, to have compassion, charity and a sense of justice, are injunctions and prescriptions cutting across cultures

and civilizations. The historical and, alas, still actual misuse of religions and moral philosophies with a universal intent for purposes of domination and control should not obscure the evidence that the sharing of a common humanity is fundamental to the human race. Basic decency, *inter alia*, in economic transactions, is a virtue that is commonly understood, if not always practised, across cultures and continents.

6. Values, however, including those that ought to be seen in a universal perspective, are born, lived, debated and contested in a local and historical context. They cannot be "taken" from a chest, or a warehouse that would be under the custody of the United Nations or any other authority. They pre-exist implementation only in their abstract, albeit absolutely indispensable, form. Short of incarnation into human actions and institutions, values are only platonic ideas. The first consequence is that the passage from the theoretical to the practical, from the realm of principles to the realm of actions, is a continuous challenge that ought to be lived and acted upon as a never-ending struggle in which all authorities, public and private, secular and religious, and all citizens are involved. A corollary of this demanding consistency between moral values and virtuous behaviour is that, during periods of pragmatism and emphasis on the immediately practical and concrete, a return to theories and principles is necessary. There are habits of the mind and heart that enable societies to dispense with debates on underlying values. However, a mix of pragmatism and cynicism sever actions from moral principles, as sophism and hypocrisy cut off the moral discourse from tangible deeds. This is an added justification for debating values at this particular historical juncture. Market economies are neither reducible to actions that are obvious, "natural" and outside moral enquiry, nor made of abstract axioms such as "free enterprise" or "free trade" that are protected from testing and questioning. The second consequence is that values are always evolving. Formulated, implemented, defended, transgressed, ignored by individuals and institutions, values are understood and lived as moving and changing targets. To be faithful to a fundamental value such as the equality of all human beings, or the prohibition of any form of discrimination, or the superiority of cooperation over confrontation, is to accept debates on different interpretations of such values and on their concrete meaning in different circumstances. To refuse such debates is an admission of discomfort or a display of inexcusable arrogance. Values cannot be used as a stone wall against social change, or a fortress against political dissent. Protected by fear, they become sterile. This is also to recognize that values are not promulgated and promoted by a single actor, located at the centre of world affairs, but by a multiplicity of actors interacting in always-changing configurations. The Western world does not have a monopoly on values, nor does any particular religion or political philosophy. This is not, however, to condone eclecticism, relativism and laxity. Again, given the spirit of the time and the emphasis on the immediate satisfaction of self-, corporate or national interest, it is critical to combine openness and firmness and to keep moral markers so as to ensure an element of stability in a very rapidly changing world. For example, labour and capital are both evolving but an equitable balance of power and interests between the two remains a morally and politically worthwhile objective.

7. Basic values that define human decency and the human spirit have unity and continuity in their domains of application. It would be fallacious, and unpractical, to conceive of a system of values for markets, of another for public institutions, and of still another for the private sphere of life. Neither society nor the person can be divided into autonomous realms with different moral norms. Referring again to great religions and philosophies, most proclaimed the unity of the human being. The same need for continuity applies to the construction of a global community. International organizations, whether involved with finances and trade, or with the resolution of violent conflicts, have to share a common moral philosophy and ethical code. This is one of the purposes of the Charter. And an addition of predominantly non-democratic States and corporations will never constitute a democratic global community. Such continuity is conceivable, however, only if compatible with the different functions and purposes of the different institutions and types of activity that constitute a harmonious society, or global community. Along a continuum expressing the unity of life and coherence of society, the fundamental has to be distinguished from the instrumental, and the eternal from the contingent. The moral philosophy of the community has to be such that the public servant, the entrepreneur, the artist, the student or the retiree can share and practice the same basic values while performing different tasks and responding to different types of instrumental rationality. And the same person

has to be able to behave with integrity and empathy for the "other" while seeking to make a profit, or trying to be a politically active citizen, or raising a child. To ignore the distinction between fundamental values and instrumental norms of behaviour applicable in different circumstances is to risk, or deliberately promote, at one extreme a totalitarian or theocratic State, and at the other extreme a market society. In the latter, values and norms applicable to economic transactions, notably money as a medium of exchange, invade and dominate other spheres of life and society. Instrumental values become fundamental values. In the former, the autonomy and freedom of the individual to engage in different activities are denied, and the indispensable market economy cannot function.

III. Values expressed by the dominant market economy system

8. In its essence, the market economy system responds to fundamental aspects of human nature and life in society. Food, shelter or any other basic material need of the individual can be satisfied through coercive means, including rationing, and economies can be prosperous in terms of investment, production and growth in a totalitarian political context. There have been such examples of "success", at least for periods of time, during the twentieth century, and certainly before in closed and stable civilizations. But the true market economy is based on the freedom of the individual to have a productive activity, to exert his or her initiative and creativity, to benefit materially, emotionally and socially from such activity, and to be in a position to transmit its fruits to his or her descendants. Freedom to produce and sell and exchange, creative work as opposed to slave labour, and private possession of one's skills and assets are therefore the critical values and virtues of the market economy system. These values are fully recognized in the Universal Declaration of Human Rights, in other basic international texts, and in the constitutions of most countries.

9. The seminar recognized that, from this standpoint, the market economy system is irreplaceable. No alternative arrangement has been found to create and exchange goods and services in a context of individual freedom and autonomy. A number of economies, including some very large ones, do not have as yet such basic features and virtues, and progress in this direction, *inter alia*, through international cooperation, is critical for the countries concerned and for the promotion of global democracy. The seminar also recognized that those values that constitute the essence of the market economy system can be perverted, as evidenced for instance by situations of monopoly or oligopoly, or unemployment, or tax evasion and corruption. Such perversions stem from abuse and misuse of freedom and from the deficiencies of one or several of the actors involved in the functioning of market economies, including public authorities. The seminar further recognized the great diversity of market economies. This diversity is expressed by their levels of performance in traditional quantitative aggregates; by the degree to which they foster the values of freedom of initiative and participation in economic life which constitute the essence of the system; and by their contribution to the larger set of values recognized as relevant to the betterment of the human condition.

10. On this basis, the seminar concentrated its discussion on a number of problematic or questionable features of the currently dominant version of the market economy system. This is the version that might be called global capitalism and that is currently dominating the world scene.

11. There is great fragility in the global market economy. One reason is the intensive and growing use of sophisticated technologies for production, information and communications. Complexity and reliance on fallible instruments bring fragility, whether for a household or for a national or global economy. The second reason is the ever-increasing interdependence of the economic actors, Governments or corporations. Not only economic autarky but economic and financial independence is a quickly receding possibility for everyone, including the most powerful. These two elements are part of the long-term trend towards a smaller and more integrated world, and as such ought not be regretted or deplored. Only, precautions have to be taken and safeguards found. The third reason for fragility pertains, however, to the enormous role of financial markets and to the partly artificial nature of economies that find their "prosperity" in levels of remuneration of capital reaching 15 per cent over a long period. The warning of the "Asian financial crisis" which took the form of severe punishment for the middle classes and workers of the affected countries, has not yet generated

measures to eliminate this clearly negative facet of global capitalism. The individual, corporate or State capacity to deal, or play, with the fragility of the world economy is not a virtue. It ought not to be confused with the capacity to evaluate risks and to take responsible decisions.

12. The concentration of economic and financial power in the world, involving Governments and corporations including the media, and noticeable within most countries as well as globally, runs counter to the basic values justifying the superiority of the market economy system over other, less libertarian arrangements and is adverse to the values of equality, equity and participation. It reflects the opposite of the democratic ideals propounded by the powers who also benefit financially from it. It is creating dual societies and a dual world. At this point, there are no international instruments to stop or at least effectively regulate the wave of acquisitions and mergers that create this concentration and that are seemingly made "necessary" by the logic of the globalization process. The reduction of personnel and concomitant positive responses of the financial markets add a touch of caricature to an otherwise dangerous trend that benefits a few and affects many negatively. The seminar could only note that much has to be done to modify the terms of international competition and the rationale for corporate expansion that appear to be among the roots of this global concentration of power. It could also only recognize the fact that such concentration has enormously significant political and cultural facets and consequences, *inter alia*, through advertising and the dissemination of a model of consumption and the "good life" by media with a global reach.

13. The short term is the time-horizon of markets and market economies, focused as they are on financial markets, quick profits and ways of surviving and expanding in an environment perceived as precarious and dangerous. This feature is associated, in a complex web of causes and effects, with other characteristics of the dominant culture of the time, including the demand for immediate satisfaction of needs and appetites, the excessively utilitarian conception of education and learning, the use of narcotics and other forms of escape, and probably also the violence that plagues some societies. This is a culture of the moment. It has a sort of "instantaneousness" that renders very difficult efforts to protect and restore the quality of the natural environment and that precludes serious policies to promote the common good. Markets in themselves, however well functioning, cannot — and should not be allowed to try to — respond to all the needs and aspirations of people and to all the requirements of life in society and in a globalized world. An excessive focus on the short term makes market economies even less able to contribute to the well-being of individuals and the harmony of society. Such a focus is not an inherent characteristic of capitalism. To the contrary, a lot has been said and written on the ethic that has permitted the emergence of prosperity as a feasible collective value and project. At this beginning of the twenty-first century, however, the quest for a sustainable type of development and social progress is undermined by this obsessive preoccupation with the short term and its tantalizing benefits.

14. Related to the above is the tendency to seek simplistic solutions and "quick fixes" to complex problems. Often, in both private and public institutions, comprehensive studies and debates lead to prescriptions that endow a particular idea with all the attributes of a perfect solution when in fact it neglects entire facets of the issue. The struggle against poverty provides numerous examples of this too-facile political culture. For some, work and employment are the response to all forms of poverty, whereas in both affluent and low-income countries there are individuals and groups who need protection and assistance from public or private sources. Severely handicapped people provide only the most obvious example of such cases. Though the central importance of work and employment is a very sound point, the perception of work and employment as a panacea leads to truncated policies. The same applies to the role of "safety nets" to protect people from the negative consequences of economic reforms and "structural adjustments" programmes. They do not reduce the need for preventive policies of a distributive nature and for collective forms of social protection. And different societies and cultures require different types of assistance for and protection of the weak and vulnerable. Still with regard to poverty and lack of economic development, the role of foreign private investments has also been often presented in a too-simplistic and exclusive manner. These investments, treated as a "flow" in spite of their concentration in a few countries, are a complement of and not a substitute for forms of public transfers and solidarity, including official development assistance. Perhaps as much as ideological bias, selfishness and lack of capacity to

imagine the plight of those who suffer and have no hope, this sort of oversimplification of issues central to the implementation of otherwise endorsed values is revealing the cultural domination of a narrowly financial conception of efficiency. Rationality has many meanings, some richer than others.

15. Technologies and technological changes, which should not be confused with the process of economic globalization currently unfolding, are dominating the functioning of advanced market economies. This is not a new phenomenon, and a number of innovations are beneficial to the communities concerned, but there is in most sectors of activity a marked acceleration of technological change, and it seems that the pressure on the directly affected workers and employees is increasing. The terms of the difficult balances between the interests of the employers and the interests of the employees cannot be stable over long periods. They have to be periodically renegotiated in relation to technological and other transformations. During the last few decades, however, these balances have been disrupted in favour of capitalist interests. Precariousness of positions, short-term contracts, part-time work and other similar development have created a "flexibility" of the workforce seen as a necessity by the employers and often lived as insecurity by the workers. The driving forces of the economy, the priorities in the decisions that shape the corporate world and the creation of "global markets" are only marginally concerned with the fate of those whose daily living depends on salaries. It was pointed out during the seminar that the workforce of market economies now comprises three categories: the professionals, who master the new technologies, *inter alia*, in communications, and are fairly independent, as there is high demand for their services; the workers, who remain in the same enterprise or sector, as they are able through frequent retraining to adjust their skills; and the "others", who are subjected to all the fluctuations in technologies and labour markets, have no control over their employment and often become marginalized. The dominant conception of modernity implies precariousness in the lives of a great number of peoples.

16. Modernity also marks the triumph of a materialist conception of what constitutes a good life and a good society. When the logic of market transactions invades most spheres of social life, everything becomes a commodity and ultimately nothing is worthy of respect. Every system that is pushed beyond its normal limits, whether it is central planning or the market economy system, becomes oppressive. The values that sustain a society have to come from different sources and different institutions. The same applies to the world community. Its contours cannot be shaped only by the development of global markets. This problem of the sliding of market economies into market societies is evidenced by the cultural and spiritual poverty that is inflicted on people who are constantly and noisily invited to be good consumers. There is much squalor in the suburbs of the cities of prosperous and poor countries alike, and much spiritual vacuity in the minds of those who are trained to produce and consume. One of the major challenges of the coming decades is to propagate the virtues of the market economy system while fighting the threat of the market society syndrome. A majority of people in the world do not benefit from the standard of living, level of education, and security that is considered adequate at this point of human history. From the universal and humanist perspective taken by this seminar, there is no excuse for this state of affairs. And there is no doubt that the founding values of the market economy system have to be disseminated. As emphasized by the Social Summit, material poverty in its extreme forms has to be eradicated and inequalities of all types have to be reduced. But, at the same time, in parallel, and obviously first of all in affluent societies, the dominant materialist culture has to be criticized and enriched.

IV. Attitudes with respect to approaching issues of values and society

17. The question invoked above of poverty and materialism, or the virtues of market economies and the defects of market societies, illustrates the difficulty of this type of reflection and debate. Dangers of oversimplification, of intellectual or moral arrogance, of focusing on the most visible elements and neglecting entire facets of the human condition, are very much present and very difficult to overcome in this currently very necessary undertaking of "deconstructing" and "reconstructing" the values that shape the dominant conception of modernity. In the course of its short work, the seminar identified a number of intellectual and moral attitudes that should be helpful. They are

summarized here as a preface to the suggestions/ recommendations that follow.

18. Intellectual modesty and humility constitute a virtue whose relevance grows with the complexity of the subject under debate. The information available and the information and knowledge that can be mastered by a person, a board or an assembly, are always limited. Hasty conclusions and excessive generalizations have to be feared, unidimensional analyses and prescriptions have to be avoided, and simple relations of causality are normally suspect in matters of social life. A phenomenon such as the "monetization" of research activities, or the concentration of economic power, does not have a unique cause. At the same time, as every virtue can be misused, the cautiousness that is implied by intellectual modesty should not preclude the formulation of conclusions and generalizations when those are necessary to move the debate forward. This type of trade-off is illustrated above by the recognition of the great diversity of market economies followed by a critical list of the values expressed by the "dominant" market economy system.

19 Intellectual and moral courage ought to be compatible with humility. Debates on values and institutions such as those of the market economy system can become alibis and diversions from hard political choices if they avoid complex and controversial issues. The question of migrations in all its aspects, including the appeal that rich lands exert on people from poor regions and the living conditions of migrant workers, was mentioned during the seminar as the issue "par excellence" that ought to be addressed in debates on values and market economies. Another example of an issue that tests the sincerity and consistency of discourses on values is the relationship between wealth and poverty, among classes and among countries.

20. Intellectual awareness, and curiosity about the different facets of the issue under scrutiny, and about the various points of view it provokes, constitute another useful mental attitude when debating values. These are necessary markers in a world that is anything but stable. Yet values also change, in their interpretation and concretization, if not in their fundamental meaning. To interpret the evolution of the world economy in the light of the commitments made in Copenhagen in March 1995 requires fidelity to these goals but also awareness of the changes that have and will continue to modify the cultural and political landscape. And the relative visibility of political positions on the world scene is not necessarily indicative of their appeal and seriousness. Debates on values normally generate a fair amount of posturing.

21. The capacity to listen, *inter alia*, to "hear" those who are silent, is a sine qua non of any reflection and debate on values. There is superficial and polite listening and true attentiveness. The latter implies that one entertains the possibility of changing one's views, that one regards any interlocutor — person or institution or nation — as an equal, in other words, as neither an inferior nor an intimidating superior, and that one has a genuine conviction that the truth is always better approximated through a confrontation of diverging views than through a policy of intellectual and moral intimidation. The dominant power and the dominant culture are not "naturally" inclined to listen with the intention of learning. The difficulties encountered in the dissemination of values linked with democracy and human rights are due in part to the historical incapacity of Western culture to engage in a real dialogue with other cultures. In spite of the process of globalization, there are — and perhaps because of it in the near future there will be — different conceptions of the world and the desirable future of humankind. A world community cannot be built on imposed values.

22. Dialogue means listening and also ensuring the clarity of one's own perspective. The same issue can of course be painted in very different colours, depending on the angle taken by the artist or the analyst. Economic globalization, for instance, can be seen "from above", as a market-driven phenomenon that is benefiting 80 per cent of the world population, or "from below" as a democratically oriented process of economic growth with an ethical dimension that will benefit the 80 per cent of the same world population that is currently left out. Both estimates are correct, as they use different facts, indicators and perspectives. The role of the United Nations, as the convenor of a debate among parties having such divergent views, is partly to help clarify the premises, assumptions, analyses and conclusions of those parties.

23. Such clarification means also a strong interest in the distinction between ends and means. A critique of the dominant culture and the conception of modernization and globalization ought to be made around the working hypothesis of a pervasive confusion between ends and means. It has been pointed out for many decades that economic indicators such as

the gross national product (GNP) per capita or the growth of trade represent means rather than levels of accomplishment of a society in its quest for prosperity and better standards of living. It suffices to recall that the GNP of countries badly damaged by natural or criminal, catastrophes would logically increase because of the activities required to clean up the damage, including destroyed historical landmarks. And even a utilitarian philosophy would have problems seeing consumption as an end, or objective of life. Yet the language of the international and national discourse on development and progress, and the related policies, continue to confuse and often reverse ends and means, notably by treating "social" questions as "consequences" or even "obstacles" to economic and financial decisions. The approach opened by the Social Summit, in its recognition that the person ought to be at the centre of all policies and that economies ought to serve human welfare, needs to be pursued.

24. Related to the above is the necessity of regaining a long-term perspective on societal problems and their solutions as well as on the values that should orient social change and render possible the distinction between progress and regression. One of the consequences of the "culture of the moment" is that all changes of whatever origin and quality tend to be accepted as unavoidable. To influence values such as equity and equality, to stop their decline and rethink their meaning, and to disseminate new values related, for instance, to the new techniques of information, are tasks of enormous difficulty requiring reflection, debates, strategies and perspectives in the medium and long term. Such perspectives are neither politically neutral, nor of a technocratic nature. They touch upon the most fundamental aspects of life in society. In this context, it was asserted that utopias ought to be rehabilitated, as instruments to guide reflection and action. Contrary to most examples from the past, which have a comprehensive ambition and a closed set of prescriptions, utopias of use to modern times should be open. They should be working instruments subject to debates and revisions.

25. Most importantly, questions of values and society ought to be approached with the conviction, or at least a mind open to the possibility, that values and norms can be strengthened, disseminated and modified through a multiplicity of individual actions and institutional policies, and with full respect for democratic ideals and processes. This non-deterministic, voluntarist and normative attitude is consistent with the remark made above that values are not entities kept in a museum of human dreams and illusions. They are critical elements of a historical process that is essentially political in nature and that involves all main actors. Public authorities, the State in its various branches, and regional and international organizations, have a most decisive role to play in this process, not only as referees between the interests and values of the workers and those of the employers, or between short-term and long-term perspectives, but as guardians, creators and implementers of the common good. A weakening of public authorities — notably in their capacity to think and act independently of private corporate forces which, however essential and powerful, represent only a segment of society and of the globalized world — was noted and deplored by several participants in this seminar. A crisis of politics and the polity was evoked, in relation to performance of fundamental functions of protection of citizens, legitimacy, image and capacity to set the tone and lead. The "short-termism" mentioned above is one of the symptoms of the crisis of the res publica that has marked and marred the last decades of the twentieth century. The image was used that too often the motto of political life appeared to be borrowed from the fast-food technique: "quickly made, quickly consumed, quickly forgotten" ... When States are authoritarian, efforts are required to democratize them. When weak, they need strengthening. When subordinated to sectoral interests, they should be reminded that power is legitimized by service to the community. Market economies can function properly and contribute to the welfare of the community and the world only when supported, regulated and controlled by efficient and democratic States. Any power calls for a counter-power.

26. Lastly, the frequent gap between discourse and practice, rights and concrete situations, beautiful abstract pronouncements and sordid living conditions, words in the wind and words followed by action, which is a feature of the human condition and a testimony of human failing, should nevertheless be seen as a constant danger, and temptation, to be overcome if any pronouncement on values is to have credibility. In this domain, lack of consistency and double standards not only damage the prestige and credibility of those who indulge in such a practice, but also have destructive effects on the principles and values that are both proclaimed and transgressed. Cynicism is a formidable

enemy of good economies and good societies. An example of inconsistency pertaining to shared values and an efficient market economy was given to the seminar. Country X, developing, and anxious to move ahead on all economic and political fronts, follows the injunctions of Western powers and international organizations and implements some of the provisions of the International Covenant on Economic, Social and Cultural Rights, notably the right of association, which means that unions will be appearing in industries that have so far been run without the collective involvement and participation of their workers. Subsequently, the same country is visited by a private firm of consultants and analysts whose judgements on the attractiveness of developing countries for private investors carry considerable influence. The rating of country X goes down, as investors would presumably draw smaller returns from industries where workers will have a better chance of improving their share of expansion and the gains in productivity. Progress in the implementation of universally accepted values is thus punished by sanctions damaging economic progress.

V. Objectives to be pursued and questions to be addressed

27. It is necessary to rethink the person in a holistic mode, to realize that human beings are producers, consumers and also loving, artistic, religious, spiritual beings. This fundamental wholeness of the person applies to the powerful and the weak, but those invested with power in the management of human affairs have a particular duty and responsibility to promote a sense of unity that transcends sectoral policies and interests. The modern citizen, of a nation and of the world, and also of a city and a region, has various identities requiring various political expressions in different settings and institutions, but the unity of this person comes from values that give consistency and orientation to thoughts and actions.

28. Overall, the objective is to improve the consistency of market economies, including the emerging global economy, with respect to the universal values that underlie the goals endorsed by the international community, notably through the Social Summit. More consistency would mean a greater contribution to the spreading of these values, and better market economies would mean better societies and a more peaceful world. Among the relevant questions are:

- How to limit the current domination of market rationality in domains where it should be only one approach among others;
- How to maintain, and promote, the institutional diversity that is indispensable to the expression of the needs and aspirations of the person, and without which there is poverty of the spirit and sliding of communities into market societies;
- How to rethink the "social" as involving the well-being of individuals and the harmony of society and integration of the economic as a means;
- How to ensure the observance of universal norms of behaviour, for instance, in relation to working conditions and on the basis of the distinction between what is tolerable and what is intolerable for human dignity, while taking into account vast differences in cultures, circumstances and levels of economic development;
- How to give a renewed priority to education as a fundamental human right and a condition for individual well-being and social harmony;
- How to preserve and promote cultural diversity while favouring the growth of the global economy;
- How to resist the current concentration of economic and financial power;
- How to orient technological change towards social progress, and make positive use of information technologies;
- How to replace the interests of workers and employees at the centre of corporate decisions.

29. Related to the above, and to be pursued in parallel, is the objective of transforming universal values from abstract principles into actually shared norms of behaviour. This will never be a completed task in a free and democratic world, but agreement on the direction of progress and involvement in a variety of processes are critical to the pursuance of this objective. Obviously, the institutions of market economies are among the most important channels for this incorporation of universal values. Such a quest involves the following:

- A new emphasis on the search for equality and equity, in societies and in the world and global community;
- The creation of space for generosity, altruism and solidarity;
- A rethinking of the notion of security, in its individual, collective and global dimensions;
- A reflection on the tension between the global and the local;
- The involvement of various actors, including religious institutions, in debates on common values;
- The design of methods and institutions to integrate "new" and "traditional" actors into genuine work on values and the functioning of market economies, with an emphasis on partnership, on the sharing of knowledge and the dissemination of "best practices";
- The resumption of the work on elaborating statistics and indicators that could capture and reflect the diversity in living conditions, the changes that affect them, the evidence of social progress and social regress, and the various facets of the process of globalization;
- The rehabilitation, or rejuvenation of politics and the polity, and a renewed emphasis on the need for humane, democratic and effective States that fulfil their role in complex societies more involved in the construction of a viable global community;
- The reinterpretation of democracy at the local, national, regional, international, and global levels, if not in its basic principles and ideals, then in its procedures and institutions.

30. International organizations, notably the United Nations, have a prominent role to play, by their mandates and in fulfilment of the purposes of the Charter, in this task of developing common values and orienting market economies towards the betterment of the human condition. It was noted that the United Nations had the duty to promote moral values in public life, and to work towards the elaboration of a global ethic that would be an open ideal and an inspiration for concrete actions. In this context, it was stated that the global conferences organized by the United Nations had outlined a moral and political framework according to which each society must have:

(a) An economy that provides the material means and public services required for human dignity;

(b) A sense of responsibility for the welfare of others, including, particularly, future generations;

(c) A commitment to equality of status and opportunity, particularly between men and women;

(d) A respect for diversity, the right of others to be different;

(e) A political process that is inclusive and participatory;

(f) A commitment to non-violence, an acceptance that differences can be resolved in peace.

31. The United Nations was, it was pointed out, a neutral and accepted body commanding the trust and confidence of all the people in the world. It should reinforce and develop the involvement of non-governmental organizations in its work.

32. It was also emphasized during this seminar that a "new political project" was a necessary counterweight to the ideas and interests promoting global capitalism, that this project should be a path to human governance for all people in the world, that it should be as receptive as possible to the thinking coming from different cultures, and that it should be ethically founded on a global scale. New relevant developments include the shifting away from a "State-centric" world with the emergence of new actors; changes in geopolitics with evolving security relations; and the forming of new coalitions involving those who protest against "globalization from above" and the Governments of countries that are currently not represented in world decision-making processes. A new political project would be part of a normative awakening in a time that is becoming receptive to the introduction of ethical and spiritual values in the dialogue across the world.

33. In a similar vein, the use of "an overall social philosophy" was advocated to balance the currently dominant individualism. This social philosophy would emphasize the need for a balance between personal freedom and an individual's responsibility for the welfare of others, especially the vulnerable and the disadvantaged; would value the community acting together through the government to achieve various

goals ranging from protecting the environment to achieving full employment and eradicating poverty; and would recognize that humankind's responsibility for helping fellow humans extends beyond national borders.

VI. Some suggestions for further debate

34. During the course of the seminar, and apart from the other points reflected in this report, participants made a number of specific recommendations, generally of an institutional nature and generally pertaining to the international scene. These suggestions and recommendations were hardly debated, for lack of time. Neither accepted nor rejected by the seminar, they are outlined below.

35. To modify positively the current functioning of the world economy, reforms in international financial relations should be undertaken in the relatively short term. They should include (a) increasing regulations, particularly to hinder deliberately destabilizing speculation by hedge funds and others, through controls or taxes on short-term capital flows; (b) putting more of the cost of international financial crises on international lenders: when the International Monetary Fund (IMF) or national Governments provide funds to bail out private sector lenders, some contribution from these would be required; and (c) widening international representation in the management of these international financial relations.

36. To help with the identification, dissemination and implementation of common values, a number of measures are feasible. Those with the competence to do so should extract common values from their religious texts and precepts and present them in books, leaflets, films and other means of reaching a large audience. Religious leaders should hold discussions on the notion of "good market economy" that is implied by their founding texts and scriptures. The United Nations should elaborate a declaration on the values and virtues that are necessary to the good functioning of market economies. These prescriptions should become part of curricula and educational programmes.

37. A set of measures, within the current configuration of the United Nations, should be envisaged to help the functioning of the Organization. The agenda of the Security Council would be extended to cover major critical issues of global concern. The General Assembly would hold a session on social justice, in relation to the major trends and decisions that affect the world economy and polity. The membership and role of the Commission for Social Development would be strengthened, *inter alia*, for consideration of the values and norms that sustain social and economic progress. The bureaux of the various committees and commissions would meet more frequently, *inter alia*, in joint sessions, to debate on common approaches to the issues under their mandates. The currently not very visible Ad Hoc Group of Experts on International Cooperation in Tax Matters would become the embryo of a forum to debate overall issues of taxation in relation to development and international cooperation. The non-governmental organizations would be encouraged and given the means to participate more actively in the various deliberations of the Organization. The Inter-Parliamentary Union would be invited to hold one of its sessions in New York. A special effort would be made to clarify and publicize the objectives of the international community, for instance, with regard to the global campaign to end poverty.

38. It was asserted that it was necessary to elaborate a new corpus of ideas for international and global organizations, as had been the case in 1945 in respect of the creation of the United Nations and the Bretton Woods institutions. In this context, three ideas were put forward:

(a) A Commission for Cultural Dialogue, or for Common Values, or for the Ethical and Spiritual Dimensions of Progress, should be created within the United Nations. It would bring together representative of States as well as scientists, philosophers, entrepreneurs, artists, religious leaders and representatives of those who have no voice in international forums. It would deliberate on common values to shape a common future. It will be recalled in this connection that the Social Summit fully recognized the moral and spiritual facets of the human condition and of the policies that aim at fostering international cooperation. It will also be recalled that 2001 was proclaimed by the General Assembly as the United Nations Year of Dialogue among Civilizations;

(b) An Economic Security Council, or Economic and Social Security Council should be established, with representatives from all regions and a secretariat ensured by the United Nations. From this

base, a new configuration of international organizations and processes would progressively emerge, in the light of changing circumstances and issues. Within or outside this Council, but related to it, would be an Observatory of Social Conditions and Trends which would continue the work initiated by the Social Summit in Copenhagen in 1995 and by the special session of the General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world" in Geneva in 2000. It will be recalled that the Commission on Global Governance proposed in 1995, in its report entitled *Our Global Neighbourhood*, an Economic Security Council, independent of the Security Council, with a different membership, and with functions ranging from assessing the overall state of the world economy to securing consistency between the policy goals of the various international organizations;

(c) A Global Peoples Assembly should be put in place by the civil society with the help of willing States, and with an ambition to practise transnational governance. This Assembly, for which the European Parliament is a sort of model, or precedent, would derive its legitimacy from popular sovereignty on matters that transcend national boundaries and that should not be treated exclusively through the cooperation of national Governments or the strategies of corporations with a global reach. It would be an element of the large array of international and global organizations that are operating to manage an increasingly complex and open world.

39. If there was a dominant theme, or dominant preoccupation during the work of this short seminar on values and market economies, it was the feeling and conviction that renewed wisdom was much needed in the management of personal, corporate, national and international issues. Moderation ought to be the order of the day, in markets and public policies, as well as in mobilizing ideals and utopias — in other words, moderation in all endeavours, except the quest for social justice.

Notes

[a] General Assembly resolution 217 A (III).

[b] See General Assembly resolution 2200 A (XXI), annex.

[c] Ibid.

Annex

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Impact of globalization on social development

Report of the Secretary-General

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I. Introduction

1. The Preparatory Committee for the special session of the General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world", at its first session, requested the Secretary-General to report to it at its second session on the impact of globalization on social development.[1] The present report has been prepared in response to that request. It traces the main features and the experiences of globalization for broad categories of countries and society, highlights salient features of its impact on social development as a result of developments in trade, technology and finance, and concludes with some observations aimed at a closer integration of economic and social objectives in a global market economy.

II. Main features and experiences of globalization

2. Globalization has closely intertwined economic, political, cultural and institutional dimensions whose social impact is often not easy to disentangle. Notwithstanding the breadth and complexity of the process, its principal elements are well known. Technological advancements, especially in the field of information and communication technologies, have had the effect of connecting and bringing the world closer together in time and space, making possible new ways of doing business and profoundly altering social interactions. The proportion of trade in goods and services relative to national income and consumption has expanded, and now includes trade in such services as banking, telecommunications and even education and culture. Domestic deregulation and liberalization of external capital controls have propelled a vast increase in the volume and speed of capital flows of all types, ranging from foreign direct investment (FDI) to short-term banking flows, worldwide. Competition has catalysed a reorganization of production networks, and a wave of mergers and acquisitions have fostered the restructuring of corporations on a global scale, giving them unprecedented size and power. At the same time, venture capital-financed "start ups" are burgeoning in "high tech" sectors in several developed as well as some developing countries. New mass media, such as satellite television and the Internet, have contributed to globalization and the spread of a culture of consumerism.

3. Some of these processes are driven by the logic of new technologies or market forces which are difficult to control, while others may be more amenable to management. Policy decisions oriented towards liberalization, deregulation and privatization have been at least as important as market forces and technology in the spread of globalization in both its positive and negative aspects.

4. As a result of greater access to markets, new technologies and new ways of doing business, many aspects of globalization have stimulated growth and prosperity and expanded possibilities for millions of people all over the world. At the same time, it has been accompanied by anxiety about its disruptive effects and a sense that the opportunities provided by the process of globalization have not been accessible to many. It has enhanced choices for some people but diminished prospects for others and reinforced inequalities within and across nations. Perceptions of globalization depend a great deal on the ability of people to take advantage of the opportunities offered by it. Typically, it is most positive for people with adequate education and access to financial resources.

5. For various reasons, the liberalization of trade and capital flows has been a dominating theme in the economic policies pursued by developing countries and countries with economies in transition during the last 10 to 20 years. As a result, nearly all countries at all levels of development have taken steps to remove or weaken policy instruments that direct and control cross-border transactions. They have also given market mechanisms greater scope internally and reshaped or restructured institutional frameworks, including labour and financial markets and taxation systems, to enable the freer play of market forces.

6. The actual experience of globalization has, to a great degree, varied with the level of development at which a country has engaged with it. Some developing countries and countries with economies in transition have been well positioned to take advantage of the new opportunities for trade and investment, and building on domestic savings, foreign investment and capital inflows, technology transfers, human resource development and export orientation, have achieved rapid economic growth.

7. Others, particularly the least developed countries, have not been able to achieve the same levels of foreign investment or access to world markets, primarily due to an inadequate economic and social infrastructure. Not only have they been unable to grasp the opportunities offered by globalization but they have also had to cope with its impacts, particularly the volatility of international commodity prices, the reduction of effective preferential treatment for their exports owing to falling overall tariffs and the decline of official development assistance (ODA).

8. The degree and nature of participation of different categories of countries in global markets varies substantially. For most developing countries, trade in a limited number of goods and services constitute the major form of international economic activity. For others, private capital inflows supplement their foreign exchange earnings, either through FDI or through portfolio investment. In only a few developing countries, mostly in Asia and Latin America, have domestic companies joined the integrated networks of transnational corporations and, in some cases, forged strategic alliances to exploit dynamic trade and investment inter-linkages. Most developing countries, particularly the least developed countries and most of Africa, remain outsiders to that process.

9. A study conducted on behalf of the Department of Economic and Social Affairs on the experience of nine countries (Argentina, Colombia, Cuba, India, the Republic of Korea, Mexico, the Russian Federation, Turkey and Zimbabwe) as a result of liberalization of trade and capital raises several concerns about its social impact.[2] In general, liberalization has led to greater inequality of primary incomes. In all but one case, household per capita income growth was negative or just above zero. While the participation rate or share of the economically active population increased, the employment situation in most countries was characterized by reduced wages, underemployment, informalization of labour and adverse impact on unskilled labour, particularly in the manufacturing sector. Virtually without exception, wage differentials between skilled and unskilled workers rose with liberalization. Most countries experienced an erosion of the tax base and a fiscal squeeze, which was reflected in static or reduced social spending. In some cases, social services were privatized or there was increased recourse to user fees. Fiscal and administrative limitations made it difficult to put in place countervailing social policies. In terms of the enabling economic environment, though most countries achieved moderate growth rates, at least three fared poorly. Capital flows increased substantially, in some cases prior to crises. While exports did tend to rise with liberalization, the export stimulus for growth was weaker than expected partly because of an increase in imports.

10. Although globalization raises particular concern for developing countries, apprehensions regarding it abound and have been vocally expressed even in developed countries. Concerns in the industrial world revolve around employment insecurity as firms respond to competitive pressures and technological advancements, which are to some extent also reflected in the frequent restructuring of firms and corporations. The growing power and global reach of mega-corporations has also raised questions regarding economic governance in a global economy.

11. The experience of countries with economies in transition has been mixed. In general, when these countries began their transition, they faced an abrupt deterioration of their previously elaborate social support systems, as well as the handicap of competing in a more open global economy with incomplete and underdeveloped market institutions. Some countries in Central and Eastern Europe have traversed the transition more rapidly spurred by prospects of integration to the European Union. In others, social disruption, sudden poverty and vulnerability to economic change along with the dissolution of barriers to trade and capital mobility have led the development of a parallel shadow economy and a criminal underworld of transnational proportions.

III. Trade and production

12. The changes in level, structure and geographical pattern of world trade are among the central elements in globalization. From the perspective of the World Summit for Social Development, three aspects of the relationship between liberalized trade and social development are particularly notable. The first is how trade liberalization has applied to products of export potential of developed and developing countries. The second is its impact on poorer countries in terms of growth, poverty and income inequality. The third is its relationship with other aspects of globalization and its effect on society.

13. Though there has been a steady dismantling of tariffs and trade barriers over the past 50 years, crucial sectors of the markets of developed countries remain highly protected against products of export potential of the developing countries.[3] Trade liberalization has been limited or partial, not only with respect to low technology products with export potential to developing countries, such as agricultural products, textiles, clothing, leather and footwear, but also with respect to some capital-intensive and higher technology products. There has also been a surge in anti-dumping duties on imports, typically industrial or manufactured goods. Such duties are rarely lifted. Developed country subsidies in the farm sector, but also in industry, work against developing countries.

14. Such limitations in trade access, as in agriculture, make the economic environment for social development less enabling by restricting export opportunities and earnings, hampering diversification and industrialization in developing countries, and aggravating structural imbalances in trade capabilities between developed and developing countries as a whole. Fewer countries have been experiencing an annual growth rate or 3 per cent or more since 1996, while many more experienced a decline in gross domestic product (GDP).[4]

15. As a result of multinational production networks, mobility of capital, freer trade and new technologies, labour has become more susceptible to global forces than ever. Competition for foreign investment and the greater ability of employers to shift production to other locations has weakened labour's bargaining ability. The spread of manufacturing for export to more and more countries provides important employment opportunities for low-income workers, but it has also resulted in rising internal inequality due to unequal distribution of the skills and infrastructure needed to participate in the economy, the high demand for skilled labour coupled with excess supply of low-skilled labour, and substantial profit income. Many of the new job opportunities have been low paying and characterized by poor social protection.

16. These developments pose a peculiar dilemma for developing countries. On the one hand, they need foreign investments for employment growth, productivity enhancement, export networks and higher rate of economic growth. On the other, participation in the global economy under conditions of liberalized trade and capital flows and global competition often leads to downward pressures on wages, working conditions, collective bargaining ability and taxation, as investors and companies seek the best economic terms to maximize their advantages in the market. The net impact depends on the balance between the expansion of opportunities for employment that trade expansion can offer and the effects of competitive pressures.

17. The large and potentially mobile supply of unskilled labour in developing countries and the demand for such labour in many industrial countries would seem to point to a convergence of supply and demand that could benefit both if international movement of labour were as free as capital movements. But concerns about the social and political implications of large immigrant populations remain a source of concern and thus of strict limits on migration. Demands of labour mobility accompanying the growth of the market economy in some developing countries have created a transient internal population, with low and insecure wages and poor access to housing, medical care and schooling for their children.

18. New technologies and greater pressure from international competition have also had implications for the nature and organization of work in the modern economy. The greater mobility of capital as a factor of production have undermined job security and collective bargaining. Together with other changes in labour relations, trade union activity is now concentrated in a few relatively entrenched industries. The growth of service and knowledge-based industries has contributed to a premium on mobility, flexibility and multi-functionality. Considerations of flexibility and competition have also resulted in greater resort to subcontracting, outsourcing and informalization of work. But it also shifts many of the costs of market volatility to workers, making them more vulnerable to recessions and threatening their job and income security.

19. Many of these trends impact on women in specific ways. The 1999 *World Survey on the Role of Women in Development*[5] presents a complex picture of the gender impact of globalization. On the one hand, it is associated with an increase in the female share of employment, mainly in export-oriented manufacturing industries, reflecting a movement of female labour from the unpaid household and subsistence (agriculture) sector, to the paid economy. On the other hand, the impact of the greater "flexibilization" of

labour, primarily as a business response to changing market conditions, has varied in different countries, depending on their levels of development, socio-economic structure and particular form of integration within the world economy. While it has helped in the entry of women into the paid labour market in some regions, at the lower end, it has also often been accompanied by insecurity of employment, lower wages and poorer labour protection. Poorer women in both developed and developing countries are particularly vulnerable to economic downturns and economic and financial crises. In most regions of the world, women's primary responsibility for household labour and child care has shown little sign of diminishing with their increased participation in paid work. Besides being among the first to be affected, much of the burden of informal social support provided by the family as the welfare provider of last resort falls on women. Social policy constraints stemming from globalization also seem to place women at a disadvantage.

20. In industrialized countries there has been a growth in employee ownership of stocks along with a "democratization" of stock markets, which has had a significant impact on earnings of workers and labour-management relations. More and more workers in the developed countries are acquiring shares in the companies in which they work and participating in financial markets through pension and other funds. In the United States today, more private-sector employees own stocks than are union members. Stock ownership has also given employees a role in corporate decision-making. Participation in decision-making and stock ownership has led to a blurring of lines between employees and employers, workers and investors, wage earners and owners and managers of capital. It has established a greater commonality of interest between employees, corporations and investors as employees see their interests in the profits of the corporations whose shares they own and the funds in which they have invested.

A. Agriculture

21. Current trends and patterns in agricultural production and trade in agricultural products impact on economic and social development in various ways. First, excessively high tariff peaks continue to apply to products that constitute exports of or offer a potential for export diversification in developing countries. In addition to tariff and non-tariff barriers that hinder access to markets of developed countries, agricultural subsidies by developed countries, whether in the form of direct export subsidies, processing subsidies or direct payments to farmers, also deter entry into their own or third country markets. Total annual levels of support for agriculture in the Organisation of Economic Cooperation and Development (OECD) countries averaged $350 billion in 1996-1998, double the value of agricultural exports from developing countries during those three years.[6] Ironically, despite it being the primary source of income and employment, particularly for low-income groups, agriculture in Africa is currently one of the most liberal and subsidy free in the world.

22. Efforts to dismantle subsidies in OECD have led to deep cuts in farm subsidies in some countries, while resistance to such cuts in others have created tensions in trade negotiations involving agricultural products. But cuts in subsidies for agriculture in developed countries have been accompanied by a phenomenal growth of corporate-driven, industrial agriculture that is having a profound effect on land ownership, agricultural production and employment, family farms and rural life and society as a whole. In parts of the world where women account for much of the food production, such as Africa, it also has an impact on women's livelihoods. Concern regarding the social and environmental impact of industrial agriculture has been compounded by the domination, as a result of mergers, of certain industries, such as the seeds, meat and grain handling industries, by large global corporations along with their marketing apparatus. Genetically modified foods being developed, patented and promoted by some corporations have raised fears of food safety.

23. Liberalized trade in agriculture should therefore distinguish and strike a fair balance between the need to promote trade access to developing countries in the agricultural sector, provide some measure of protection to farming communities worldwide, and tap the scientific and marketing potential of corporate agriculture. A single, uniform and universal regime is likely to benefit corporate industrial agriculture based in the developed world at the expense of rural employment and development, poverty eradication and growth in developing countries and rural farming communities everywhere. These concerns need to be

considered together with issues of food security and productivity, culture and environment.

B. Patents and intellectual property rights in the social sector

24. The relationship between trade and the existing patents regime has also resulted in the benefits of advances in such spheres as health and agriculture, being skewed in favour of the corporate sector at the expense of the public, with especially adverse consequences for people in developing countries. The basic rationale for an intellectual property rights regime in the sphere of health and agriculture is to provide an incentive for and protection of investments in research and development.

25. But there is a strong case that the current system overemphasizes incentives and protection for the entrepreneur at the expense of the public. In the sphere of health products, the logic of the market leads to investments in those medical conditions for which there is a market among the more affluent, primarily in developed countries. As a result, an overwhelming proportion of investments and patents in the health industry ignore life-threatening diseases that afflict the majority of people in the developing world. According to a recent World Health Organization (WHO) report, less than 10 per cent of the current estimated expenditure on medical research has gone into diseases that affected 90 per cent of the world's population. A recent study concluded that of the 1,223 new drugs patented between 1975 and 1997, only 13 were for tropical diseases and only four of those could be regarded as new drugs suitable for humans.[7] And where treatments are available, such as for human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), they are too expensive to be afforded by those, increasingly women in Africa and parts of Asia, most affected by it.

26. In the case of improvements on existing products, especially traditional products, goods that were once in the public domain and easily accessible, ranging from seeds and traditional medicine to knowledge and culture, are being appropriated privately as a result of the patents regime. The rules that prevail protect the corporate innovator at the expense of traditional producers and users. There is also a case to establish a more balanced property rights regime that would protect and reward traditional knowledge by requiring companies that make use of such knowledge to pay royalties on their profits.

IV. Information technology

27. The imbalance between the promise and reality of globalization is perhaps nowhere more striking than in the unequal distribution, among nations and classes, of digital resources — hardware, software, communications bandwith. For example, South Asia, which accounts for 23 per cent of the world's population, has less than 1 per cent of the world's Internet users.[8] Africa has seven Internet connections for every 1 million people. While Internet access requires a working telephone line, 40 per cent of people living in developing countries do not have access to a telephone line. In Bangladesh, there are fewer than three telephone lines for every 1,000 people. In Afghanistan, the ratio is less than one in 1,000.

28. In contrast, nearly half the global on-line population resides in the United States. Forty per cent of Americans have Internet access at home or at work. The level of Internet usage in Germany and the United Kingdom is still about 20 per cent but is increasing rapidly. United States companies have been quickest to exploit the potential of the Internet for business. Many of the largest are United States-based. By one estimate, United States corporations collect 85 per cent of the revenues from the Internet business and represent 95 per cent of the stock market value of Internet companies.[9]

29. The imbalance in the infrastructure and access to the Internet is significant for several reasons. First, there is a close interrelationship between information technology and the skilled labour that is the primary beneficiary of trends towards a modern, global, knowledge-based economy. Second, the new information and communications technologies form an integral part of the "new" economy. Third, and perhaps most importantly, there are strong productivity gains attached to the use of information technologies and the progressive networking that has accompanied it. Spin-offs from investments in the sector have been a key factor in the recent high employment, low inflation growth of the United States economy. It has dramatically increased the speed and changed the nature of doing business, including through the emergence of electronic commerce. But as a result of

better monitoring of production and distribution cycles and more efficient inventory and cost-control techniques, among other things, productivity returns are also evident in traditional industries, such as transportation and construction. Finally, the applications of information technology in the sphere of education, health and information are perhaps the best expression of its positive potential for social development.

30. New technologies that have been such a factor in globalization have opened up opportunities for men and women across the world, including in developing countries, with skills in the new economy (for example software technicians and transcription services), which were previously limited by physical factors. But while information technologies do offer developing countries prospects of leap-frogging some developmental steps, its potential to stimulate the domestic economy and to act as a catalyst for integrating developing countries into the international trading system on a fair and equitable basis is still largely dependent on education and economic development. Even if telecommunications systems are installed and accessible, without literacy and basic computer skills people will have little access to the network society. Unless basic education, computer literacy and basic developmental issues are telescoped and tackled simultaneously, the knowledge gap between and within countries will widen. Moreover, if information technology is to play its full productive role, developing countries need to go beyond providing information services for export and apply it widely in their own economies also so that the spin-offs in terms of efficiencies, productivity and electronic commerce can be felt domestically as well.

31. There is also a danger that as those in developing countries with the skills for the new economy get increasingly networked, the gap between the skilled and the unskilled is likely to get wider. The information-rich will get richer and information-poor will get even poorer. Given the productivity benefits of the new technologies, failure to bridge the gap is likely to open up a chasm between those countries and sections that are able to plug into this process and those that are not. The challenge is not only to exploit the opportunities offered by information technology to improve the capacity of developing countries in the world economy but also to integrate the sector that is relatively better integrated with the sector that is not. This is true for every society but especially for developing countries.

32. The economic benefits of the new technologies are undeniable. But apart from aggravating the gap between the skilled and the unskilled and reinforcing inequality in the short run, the new information society poses some challenges for social development. The Internet offers the possibility of greater democratization of information and business by bringing users in direct contact across Internet space. A number of recent campaigns also reveal its utility in mobilizing public opinion around topical public issues. But if its potential for social development is to be fully realized, it is essential that its character as a public space be preserved. Like most technologies, information technology can also be used to privatize public space, making it accessible to some but not to others. Alternatively, it can be used to widen access across social and organizational barriers.

33. A second concern, together with other developments, is the impact on social cohesion. The evolution of a consumer society in which almost anything can be acquired in the market, a labour market characterized by insecurity and the scope that the Internet offers to alter the nature of human contact in the conduct of social and economic relations may well impact on the cohesion of societies.

V. Financial markets, capital flows and mergers

34. Two parallel developments in the financial sector have defined present-day globalization as much as technological developments and the growth of international trade. The first is the development of the financial markets, institutions, instruments and mechanisms in developed countries. The second is the growth in capital flows across borders in several ways, including foreign direct or short-term portfolio investments or transactions in foreign exchange markets as a result of the deregulation and liberalization of the financial sector in the industrialized and many developing countries.

35. There has been an exponential growth in the size, operation and sophistication of financial markets in the advanced industrial countries, illustrated, among other things, by the growth and complexity of financial services, especially the expansion of stock markets.

This has been accompanied by their "democratization" to cover more and more ordinary, small investors. For example, the number of stock-owning workers and farmers in the United States is estimated to have risen 106 per cent between 1989 and 1995. Though the extent of stock ownership in Europe and elsewhere is not nearly as high as in the United States, it is growing, along with a similar trend towards more middle-income and even low-income investors beginning to share in the growth of the economy by purchasing stock. Privatization of publicly owned corporations in some countries, accompanied by promotion of the idea of employee shareholding, has played a key role. As a result, in France, roughly three fourths of all employees in privatized companies are shareholders in their companies.

36. It is against the backdrop of the increasing size, depth and complexity of financial markets in developed countries that the quantum increase in capital flows across borders has taken place in recent years. According to recent United Nations Conference on Trade and Development (UNCTAD) estimates,[10] worldwide flows of foreign investment rose by 41 per cent from $468 billion in 1997 to $660 billion in 1998, and to a record $827 billion in 1999, an increase of 25 per cent. Nearly three quarters of that increase, or an estimated $609 billion, took place among industrialized nations, with the largest share in the United Kingdom and the United States.

37. The composition of capital flows has changed, with private capital and short-term investments dwarfing governmental flows and longer-term investments. Short-term capital flows have grown spectacularly and, partly reflecting the integration of financial markets, transactions in foreign exchange markets are nearly 80 times larger than world trade. The share of official financing in total capital flows fell from over 50 per cent in the 1980s to 20 per cent in the 1990s. While official flows declined from $56.9 billion in 1990 to $47.9 billion in 1998, net long-term inflows to developing countries increased from $101 billion to $338 billion in 1997 before declining somewhat in 1998 with the Asian crisis.[11]

38. Capital flows from industrialized countries to developing countries accelerated in the 1980s and tripled between 1990 and 1996. FDI has been growing faster than international trade. Portfolio capital mobility accelerated even more rapidly in the 1990s. Cross-border share dealing has grown 10 times as fast as national incomes. FDI flows have been shifting from the primary to the manufacturing to the service sector, and there have been increasing flows to agri-business. However, such capital flows remain highly concentrated, going from a small number of developed countries to a small number of emerging markets. In 1998, the top 10 recipients accounted for 70 per cent of FDI flows to developing countries, while least developed countries accounted for less than 7 per cent. FDI flows to developing countries as a whole rose by 15 per cent to $198 billion in 1999, after stagnating in 1998. Latin America attracted $97 billion, one third of which went to Brazil, while $91 billion went to Asia, $40 billion of which went to China, the largest developing country recipient of FDI. Central and East European countries retained a stable flow of about $20 billion. Africa received between $10 and 11 billion, with Nigeria accounting for $2 billion and South Africa 1.3 billion.[12]

39. Cross-border mergers and acquisitions, whose announced value exceeded $1,100 billion in 1999, were the primary mode of entry into foreign markets in industrialized countries and are playing a growing role in developing countries. They have helped enterprises achieve better economies of scale, stay abreast of technological developments, maintain competitive advantage and mark their presence in as many nations as possible. Deregulation and privatization in Europe, Japan, the Republic of Korea and some developing countries and economies in transition have opened new opportunities for acquisitions by large multinational corporations. Such acquisitions have benefited consumers in the form of more efficient industries and utilities, access to imported goods and better services in some areas. But they have also, in many cases and certain periods, led to restructuring and closures of production facilities and social costs in terms of losses of jobs and incomes. In some cases, they have also been accompanied by doubts about the sensitivity of foreign ownership to national concerns.

40. The opportunities and challenges posed by globalization can be illustrated by the experience of East and South-East Asian countries. There, competitive, export-led growth and openness to foreign investment, both direct and portfolio, facilitated by an external policy environment that strongly advocated such policies and a leadership that was prepared to force the pace of development, generated rapid and strong economic growth, greater integration into the

global economy and healthy advances in social development. Inflation rates were modest and monetary and fiscal policies considered prudent. Poverty was significantly reduced all over the region, employment levels were enviable, and while inequality and regional economic imbalances may have been aggravated in some areas, problems of social integration in general were diluted by the general progress.

41. The financial crisis of 1997-1998 characterized by a sudden loss of confidence on the part of investors and swift withdrawal of investments, and its rapid spread to other developing countries and countries with economies in transition, at one stage threatening even industrialized countries, also exposed the risks inherent in such close integration with the global financial markets. The five countries most affected by the crisis (Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand) experienced a turnaround of $105 billion in a single year from an inflow of $93 billion to an outflow of $12 billion, representing 10 per cent of their combined GDP.[13] Most of the swing occurred in commercial bank lending and short-term portfolio flows. GDP declined sharply and the impressive strides in poverty eradication were abruptly reversed and compounded by problems of heightened inequality, unemployment and social tensions, with particularly adverse impacts on the poor and on women. The crisis showed that even more advanced developing countries that enjoyed strong macroeconomic fundamentals and were regarded as successful examples of liberalization and economic integration were vulnerable to shocks that could set back decades of economic and social progress.

42. The policies and actions of international financial institutions that advocated such liberalization and stressed structural adjustment and fiscal prudence when the crisis struck were viewed by many as exacerbating the negative social impact of the crisis. It has provoked a rethinking within these organizations in favour of the need to factor the social dimension in their handling of crises as well as in long-term development and a recognition of the risks inherent in capital account convertibility.

43. The liberalization of financial flows, floating exchange rates, financial innovations and new communications techniques have increased financial transactions enormously, as well as the opportunity for developing countries to attract foreign investment and capital for purposes of business and development, albeit on commercial terms. But they have also compounded a volatility inherent in these markets as a result of radical shifts of perception or in the interpretation of information, and sharp revisions of expectations not always based on sound considerations, that have resulted in panic reactions, contagion and periodic crises. Moreover, short-term capital flows, far from being a mere reflection of economic fundamentals, can actually push key macroeconomic variables, such as exchange and interest rates and the prices of such assets as property and shares, away from their long-term equilibrium and consequently affect output and employment.

44. Regardless of who or what triggers such inherently destabilizing movements of capital, their occurrence is a matter of concern to investors and receiving partners alike. Economic interdependence cuts both ways. Under favourable conditions, it helps everyone; under unfavourable conditions, it hurts everyone. For investors, financial shocks necessitate costly bail-outs that are controversial in themselves. For the recipient country, they usually mean austerity, unemployment and painful adjustment processes. The absence of principles to guide debtor-creditor relations in periods of distress has tended to magnify the severity of these crises, with costs frequently being borne by the poor and more vulnerable. Typically, the weaker partner, usually a developing country, is forced to bear a heavier burden of the "costs" of volatility. The interests of investors are taken care of before the interests of workers and others more directly affected in terms of employment and livelihood. This is possible because the investors are located mainly in wealthy countries and are able to negotiate more favourable terms and cushion the shock.

45. A number of measures for reducing such volatility have been proposed. These include taxes on short-term capital inflows, preferably coordinated internationally; improved regulations and supervision of financial institutions; policy stability; diversification of sources of capital; Chilean-type "cooling" mechanisms or reserve requirements; regulation of mutual and hedge funds; special facilities to deal with capital accounts-related currency crises; and greater disclosure and transparency of financial information, among other proposals. They have also prompted calls for a reform of the international financial architecture.

VI. Macroeconomic policy management

46. Part of the uneasiness about globalization stems from the fact that national policies are increasingly strongly influenced by policies elsewhere. Liberalization and integration have affected the autonomy of national policy-making in a variety of ways. First, trade liberalization and the demands of global capital markets and financial institutions have to varying extents constrained the deployment of monetary and fiscal policy options for social purposes, including employment and equity objectives. The interdependence of interest and exchange rates has led to a strong pressure towards a convergence of monetary policy in the direction of controlling inflation and of fiscal policy towards fiscal restraint from which it becomes difficult for any country to deviate without risking adverse investor confidence. Conversely, macroeconomic imbalances tend to get amplified in a liberalized environment.

47. Second, the liberalization of trade and finance is steadily changing the traditional idea of countries as distinct economic entities connected mainly by trade towards an environment in which companies and financial markets can increasingly make production, marketing and investment decisions relatively free of national constraints. The promise of direct foreign investment and the threat of its withdrawal have significant leverage on the policy options of Governments.

48. Third, economic developments in one part of the world effect, in greater or lesser degree, other parts of the world. Decisions in bigger economies clearly impact more on smaller economies. But crises in emerging markets or economies in transition or other developing countries can also affect and force economic decisions in the bigger economies. As international responses to the Asian crisis show, much of the art of economic policy-making today depends on how national policies are dovetailed to global or international developments.[14] In such situations, the danger that countries may attempt to protect themselves from contagion by adopting measures that are harmful to the global economy underlines the need for cooperation and coordination in economic policy-making at the global level.

49. Fourth, the progressive reduction of tariffs as a result of trade liberalization has removed a major source of revenue that developing countries depended on for social expenditures.

50. Finally, globalization is also associated with changes in the level, pattern and targets of taxation. The increased mobility of capital and high-income groups has presaged a shift of taxation from relatively mobile factors to relatively immobile ones. In effect, this has meant a relative shift in taxation away from corporations to personal income, from higher incomes to lower and middle incomes, from profits to wages and from direct taxes to consumption (e.g., value added tax), in short from capital to labour. There is a near-universal trend towards lower taxation on higher incomes that implies a distancing from the redistributive function of taxation. Between 1986 and 1998, 67 of 69 countries for which information on tax systems was available witnessed a decline in the maximum tax rate on higher incomes.[15] Tax breaks and other hidden subsidies intended to retain or attract new investments have also worked in favour of the corporate sector.

VII. Concluding observations

51. The processes associated with globalization have unleashed energies that are catapulting the world economy to a qualitatively new trajectory of development. New technologies are already yielding productivity gains, as also greater availability and flow of information worldwide with potential benefits for education, health and social development in general. Greater access to markets has provided new opportunities to countries and individuals to participate in the global division of labour and creation of wealth. Increased competition and new forms of business have also benefited consumers in many ways.

52. While providing opportunities for many, globalization has also been disruptive to large categories of society — poorer countries with weak and underdeveloped economies, unskilled labour, subsistence farmers and other vulnerable groups, i.e., those who lack the capacity to exploit such opportunities for reasons that have as much to do with levels of development as capacity to compete. The benefits of globalization have been unevenly spread. In the process, it has tended to split those plugged into the world economy from those who are not, thus opening a breach that has contributed to poverty, inequality and marginalization.

53. Despite the trends towards insecurity, marginalization, concentration of economic power and erosion of social capital outlined above, the international community has a strong stake in the technological advances and market-led growth and economic integration that propel globalization and that has opened opportunities for those equipped to exploit its potential. The unprecedented opportunities opened by globalization also need to be harnessed in aid of the eradication of poverty, full employment, inclusion, equity and long-term social progress espoused by the World Summit for Social Development. There is therefore, an urgent need to "manage" the process of globalization better so as to minimize its negative effects, make the opportunities provided by globalization available to all and spread its benefits wider, oversee the operations of the market in order to attenuate its extremes and reduce market failure, combat unemployment and poverty, and ensure a stake for the poor and the marginalized in the process. Developments since the recent World Trade Organization (WTO) meeting at Seattle and the outcome of the tenth session of UNCTAD in February 2000 suggest a greater recognition of these problems. Some active intervention will be necessary to tilt the global market from its current form of corporate globalization to a more democratic globalization.

54. To this end, it is imperative to reconcile the competitive economic philosophy of the market and the social philosophy of inclusion, however difficult this may seem. It may be necessary to reframe, wherever necessary, the rules of the market economy so that they incorporate and integrate better the concerns of both those on the forefront of the technological and entrepreneurial revolutions and the goals of the Summit to eradicate poverty; provide gainful employment to all; facilitate access to basic social services; promote equity, inclusion and social integration; and reduce inequalities between and within nations. It is also necessary to improve the mechanisms for the concerns of poorer countries and the poor, the vulnerable and the marginalized to be adequately reflected in the decision-making processes that affect them.

55. Economic globalization has revealed a mismatch between current systems and institutions of regulation and accountability that are national and the global nature of economic and financial transactions that pose a major challenge for economic governance in the twenty-first century. The issue of accountability has typically been cast in terms of the responsibility of business or corporations to the public. But in fact it goes well beyond that to the accountability of Governments for the operations of the market. The greater autonomy given to the economy under pressure of free market policies since the mid-1980s has led to a virtual separation of economic and political life, resulting in reduced accountability for economic decisions that are attributed to the market. One of the foundations of democratic governance is its expression of the public interest and the protection of the vulnerable. This requires some degree of public oversight in the interests of attenuating the often harsh features of the market. Representative and regulatory bodies together perform this function. Yet one corollary of freer markets is that the exercise of such a democratic and regulatory function is frequently called into question as an unnecessary interference in markets.

56. This is happening as government involvement in the economy, intended to fulfil this function, has been shrinking and that of the private sector in the provision of social services has been rising. There are good civic and economic arguments for the private provision of social services, including health, education and public television, primarily on grounds of efficiency. But with loss of public funding comes loss of public control over social priorities and the ability to pre-empt to prevent exclusion by the market.

57. These and other developments illustrate the challenge posed to the goals and commitments adopted at the Summit by free market-oriented economic policies and a reduced role for government in the economy through policies of liberalization, deregulation and privatization.

58. The need to reconstitute the social parameters of the market economy underlies thinking in certain quarters, including the World Bank, to devise a set of principles of social policy that ought to be kept in the foreground in the handling of crises as well as longer-term development strategies supported by the International Monetary Fund (IMF) and the World Bank. The pros and cons of developing such a set of principles was discussed in some detail at a two-day workshop convened in December 1999 by the Carnegie Council on Ethics and International Affairs in the immediate aftermath of the ministerial-level WTO trade talks at Seattle.[16]

59. A variety of concerns and views were expressed, including the feasibility and relevance of a common set of principles across societies at different levels of development, whether and how they would apply to different categories of actors, and their possible translation into conditionalities. The seminar nevertheless served to focus attention on the need to establish certain social fundamentals that could act as a countervailing force to the inequalities, imbalances and social disruption attendant to free-market-driven globalization. They could also form the basis for broader social development.

60. These principles were seen as operating at different levels and in different ways: through an internalization of a set of values that could limit the extremes of the market from the inside; through greater democratization of economic governance, especially at the international level, where there is a greater deficit, to act as a counter-foil to technocratic and corporate decision-making; through improved regulatory mechanisms that may require a more effective role for the state and greater international cooperation; and through the anchoring of policies advocated by international financial and economic institutions around such principles. In doing so, it could serve as a basis for economic policies that integrate social concerns a priori rather than a posteriori.

61. If the goals of the World Summit for Social Development — poverty eradication, equity, full employment and inclusion — are to shape the market, they must be integrated into the full range of core economic and other public policies. These include those relating to trade, structural adjustment, fiscal policy, taxation, macroeconomic management, environmental management, employment, competition, patents and intellectual property rights, foreign investment, capital flows and debt relief. They should animate all public negotiating, decision-making and regulatory bodies, national and international, and exert influence on the corporate, financial, business and trade organizations that play a dominant role in shaping markets. Policies should be judged not only by their efficacy in promoting the dynamism of markets but also by the extent to which they promote social development or at least do not undermine it. Where some conflict is inevitable, remedial measures should be integrated as far as possible at the outset in the design of the policy itself. The Preparatory Committee may wish to initiate a process at the level of the United Nations to develop guidelines integrating the goals of the Summit into all economic and social policy.

62. Second, the impact of policies on the exacerbation or alleviation of poverty should be an area of special concern. Though the rules governing the modern market have generally been guided by the needs of enterprise, to some extent, social concerns, such as the impact of policies on employment or worker's rights, have under the pressure of workers always played a role in their elaboration. There is a need to go further and place the objective of poverty eradication into the mainstream of economic policies at both the national and international levels. To take an example, trade policies that are sensitive to the goal of poverty eradication would favour access to precisely the types of lower-technology, labour intensive, pro-poor activities, such as agriculture and textiles, that tend to face restrictions in international markets at present. A pro-poor trade policy would provide greater space for the comparative advantages of the poor and poorer countries.

63. Third, partly in order to address the problem of poverty per se and the marginalizing effects of globalization, it would be desirable to develop and strengthen a pro-poor, market-based growth strategy that builds on the capacity of the poor to exploit the potential of the market to escape from poverty. Most approaches to poverty eradication have focused on redistributive strategies, while most market-based economic growth strategies have tended to rely on those who already have the capital necessary for investment. While redistributive policies are important and will continue to be required, successful strategies for poverty eradication that enable those who do not have assets and capital to use the market profitably have attracted lesser attention. Such strategies focus on enabling the poor to act as active agents capable of utilizing the market to their advantage. They include easier access to productive resources and assets, development of rural infrastructure and public goods, development of entrepreneurial and other skills, and microfinance and support for cooperatives, small-scale business and industry and other forms of economic organization of the rural and urban poor. Investment in rural non-farm growth is a particularly promising approach to poverty reduction. The thrust of such an approach would be to expand the opportunities and scope for private initiative "downward" to the grass-roots level.

64. However, none of this will happen automatically or without public pressure. It will require institutions that can channel such concerns at the level of public policy-making and the market, which may be a multi-layered process. It is crucial to meet the challenge of exclusion posed by globalization by improving existing structures of democratic governance so that the views of those excluded and marginalized by the market are effectively heard and accommodated in the process of decision-making. However, in an era of globalization in which the consequences of actions are felt well beyond the borders of any one country, greater democratization of international economic relations is also required so that the views of countries affected by economic decisions of global market players are taken into account. Only within such inclusive forums can the views of all those concerned and affected by the decisions of the few be heard. More inclusive membership is also essential if international cooperation is to be matched with implementation.

Notes

[1] See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45* (A/54/45), chap. VI.B, decision 1, annex, para. 1 (a).

[2] See Janine Berg and Lance Taylor, "External liberalization, economic performance and social policy", New School for Social Research, Working Paper Series: Globalization, Labour Markets and Social Policy, February 2000.

[3] See UNCTAD, *Trade and Development Report, 1999* (United Nations publication, Sales No. E.99.II.D.1).

[4] See *World Economic and Social Survey, 1999* (United Nations publication, Sales No. E.99.II.C.1).

[5] United Nations publication, Sales No. E.99.IV.8.

[6] See UNCTAD, op. cit.

[7] Quoted by Jan Vandemoortele of UNICEF in a working paper presented at a workshop on social policy principles and the social development agenda, Pocantico, United States of America, December 1999.

[8] See UNDP, *Human Development Report, 1999* (New York, Oxford University Press, 1999).

[9] See *New York Times*, 9 January 2000.

[10] See UNCTAD press release, 8 February 2000.

[11] See World Bank, *Global Development Finance, 1999*.

[12] See UNCTAD press release, 8 February 2000.

[13] See UNDP, *Background Papers: Human Development Report 1999*, vol. I (New York, Oxford University Press, 1999), paper by S. Griffith Jones and J. Kimmis.

[14] This is illustrated by reaction to the Asian financial crisis. Major industrial countries lowered interest rates because of widespread fears that the crisis might push the rest of the world into severe recession. Despite an expanding economy at that time, the United States Federal Reserve's proactive response in lowering interest rates three times in the fall of 1998 played an important role in preventing that outcome. China's decision, at the height of the financial turbulence in 1997, to maintain the exchange rate of the yuan renminbi (in part possible because of a favourable balance of payment status) helped prevent the further spread of the crisis, and indirectly, a worsening environment for social development.

[15] See ILO, "Country studies on the social impact of globalization: final report" (GB.276/WB/SDL/1).

[16] See "Report of the Workshop on Social Policy Principles and the Social Development Agenda" (Carnegie Council on Ethics and International Affairs).

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General Assembly

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Preparatory Committee for the special session of the General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world"
Second session
3-14 April 2000
Item 1 of the provisional agenda*
Adoption of the agenda and other organizational matters

Participation of non-governmental organizations

Note by the Secretariat

1. In accordance with decision 7 adopted by the Preparatory Committee at its organizational session held in May 1998,[1] the Preparatory Committee decided that the work of the Preparatory Committee should be open to the participation of non-governmental organizations, which were accredited in accordance with Economic and Social Council resolution 1996/31 and Council decisions 1996/208 and 1996/315.

2. The Preparatory Committee also decided that non-governmental organizations in consultative status with the Economic and Social Council and on the Roster would be invited to participate in the meetings of the Preparatory Committee; in addition, other non-governmental organizations that had been accredited to the World Summit for Social Development or other major United Nations conferences and summits would be invited to apply for accreditation to the Preparatory Committee; the Secretary-General was requested to provide to Member States, in a timely fashion, a list of the latter non-governmental organizations for review.

3. The organizations listed in the annex to the present note represent those that were accredited to the World Summit for Social Development and other United Nations major conferences, and are in the process of applying for consultative status with the Economic and Social Council. The Secretariat recommends to the Preparatory Committee the accreditation of the non-governmental organizations listed in the annex below.

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* A/AC.253/12.

[1] See *Official Records of the General Assembly, Fifty-third Session, Supplement No. 45* (A/53/45), chap. VI, sect. B.

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Annex
Non-governmental organizations recommended for accreditation

1. **Arab NGO Network for Development (ANND)**
Mr. Ziad Abdel Samad
P. O. Box 5792 Beirut
Lebanon
Membership: international

ANND is a network of Arab non-governmental organizations working in the fields of social development, environment, gender and human rights. It aims at empowering Arab non-governmental organizations, strengthening the civil society, enhancing democracy, alleviating poverty and monitoring the implementation of the decisions of the World Summit for Social Development.

2. **Centro de Estudios Para el Desarrollo y la Participacion (CEDEP)**
Mr. Hector Bejar
Av. Jose Fautino Sanchez Carrion
790 (Ex-Persing) Lima 17
Peru
Membership: national

CEDEP is a member organization of a national non-governmental organization committee working on the implementation of the Copenhagen Declaration on Social Development and Programme of Action of the World Summit for Social Development. It acts as the Peruvian representative of the Social Watch Team.

3. **EZE — Evangelishe Zentralstelle für Entwicklungshilfe (Protestant Association for Cooperation in Development)**
Rvs. Jürgen Reichel
Mittelstraße 37
D-53175 Bonn
Germany
Membership: international

EZE is a church-related funding agency working in 70 countries of the world, particularly in developing nations. It has also taken active part in the national monitoring of the implementation of the World Summit for Social Development in Germany. In this connection, EZE has been working in partnership with other German non-governmental organizations.

4. **Deutsches NRO — Forum Weltsozialgipfel (German NGO Forum for the World Social Summit)**
Mr. Ruth Brand
Max-Joseph-Strasse 20
D-51429 Bergisch Gladbach
Germany
Membership: national

The Forum is an umbrella organization founded in 1994 for the purpose of preparing for and conducting follow-up actions to the World Summit for Social Development. It aims also at promoting information on the Summit and sensitizing the public on its goals. Member organizations of the Forum have been active in development cooperation activities, anti-poverty social programmes at the national as well as international levels, and lobbying against poverty and social exclusion.

5. **NGO Committee on Beijing Plus Five — Bangladesh**
c/o Women for Women 1/2 Sukrabad
Dhaka-1207
Bangladesh
Membership: national

This is a coalition of 350 non-governmental organizations focusing on issues relating to advancement of women. The coalition has contributed to the efforts of the Government in implementing the Beijing Platform for Action. Other activities include: sensitizing civil society organizations, professionals and the public on gender equality and development.

6. **United Nations Youth Organisation**
Mr. Sitaram Kalanoria
36 Chowringhee Road
Calcutta 700 071
India
Membership: national

The goal of the organization is to raise awareness among young people in India about the objectives and principles of the United Nations. This is achieved through programmes aimed at young people on issues such as drug and tobacco consumption, acquired immunodeficiency syndrome (AIDS) and the rights of children.

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Preparations for the special session of the General Assembly entitled "World Summit for Social Development and beyond: achieving social development for all in a globalizing world"

Assessing the social impact of economic measures taken in response to financial crises in developing countries

Report of the Secretary-General

Summary

In paragraph 1 (c) of the annex to its decision 1,[1] adopted at its first session, the Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, requested the Secretary-General to report to it at its second session on the undertaking of social impact assessments utilizing comparative methodology of economic measures implemented by developing countries in the aftermath of financial crises, taking into account experiences gained from past crises in Asia, Latin America and the Caribbean.

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In response to that request, the present report analyses the scope for using social impact assessments to better understand and to mitigate the negative social impacts of financial crises. In addition, this report explores how social impact assessment can be used to better target social programmes in response to financial crises. Rapid social appraisal and participatory impact assessment techniques are also discussed as means to ensure better ownership and therefore the effectiveness of the social policies adopted, including those implemented in the wake of financial crises. Finally, the report proposes concrete initiatives that can be taken to improve the effectiveness of social impact assessments as well as their wider adoption as an integral element of social development.

1 See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45* (A/54/45 and Corr.1), chap. VI, sect. B.

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Introduction

1. The critical importance of social assessment was underlined by the Programme of Action of the World Summit for Social Development[1] which stated that an integrated socio-economic approach to development required, *inter alia*, analysing and reviewing macroeconomic, microeconomic and sectoral policies and their impact on poverty, employment, social integration and social development (para. 83 (a)); assessing the extent, distribution and characteristics of poverty, unemployment, social tensions, and social exclusion (para. 83 (c)); developing quantitative and qualitative indicators of social development, including, where possible, disaggregation by gender, to assess poverty, employment, social integration and other social factors, to monitor the impact of social policies and programmes, and to find ways to improve the effectiveness of policies and programmes and introduce new programmes (para. 83 (h)); and regularly assessing national progress towards implementing the outcome of the Summit, possibly in the form of periodic national reports, outlining successes, problems and obstacles. Such reports could be considered within the framework of an appropriate consolidated reporting system, taking into account the different reporting procedures in the economic, social and environmental fields (para. 83 (j)).

2. In regard to structural adjustment, the Programme of Action also advised Governments to review the impact of structural adjustment programmes on social development by means of gender-sensitive social-impact assessments and other relevant methods (para. 91 (b)).

I. Concepts used

3. Social assessment consists of a set of methods and instruments that can be employed by planners and policy makers to assess the impact of social, economic and other public policies on specific groups within society or on specific social parameters such as incidence and depth of poverty, or employment and unemployment. When used in conjunction with social policies, programmes or projects, social assessment can help ensure that their intended positive impact on people's lives is realized and optimized, and that their negative impacts are kept to a minimum.

4. Although the present report will focus largely on the social impact of social programmes and policies, social impact assessment can also be applied to the social impact of economic and financial policies. In the case of domestic economic policies, such impact assessment can contribute to the national debate on economic policies and to their eventual modification in order to produce more positive social effects. In the case of global economic policies as well as of financial crises and economic shocks, social impact assessment can contribute to mitigating negative social impacts and developing compensatory social programmes. However, more importantly, better understanding of the social impact of financial crisis can help raise awareness and eventually help redirect the global policies and financial architecture that contributed to such crises or shocks in the first place.

5. While such an application is largely outside the scope of this report, the notion of social impact assessment can also be extended to assess the economic impact of social policies. Social policies and programmes (including areas of social protection, application of labour standards, investments in health, education and basic social services) have economic impacts that may be neglected or underestimated by policy makers. Social policies can have a positive impact on the productivity of the workforce and therefore contribute to increased output and to improved competitiveness and profitability of enterprises. Therefore, social impact assessment should include capabilities to monitor such economic and financial impacts of social policy.

6. Social impact assessment, to be effective, must have a participatory dimension. The participatory process involves stakeholders, particularly the intended beneficiaries of social policies and programmes, in identifying their own problems and in contributing to the design of the solutions to these problems.

7. Social impact assessment can be undertaken at all stages of an intervention, but it is at its most useful before and during implementation. In the policy formulation stage, social assessment helps identify intended beneficiaries and their need for the specific intervention under consideration. It verifies whether other, perhaps more needy groups are excluded and estimates the negative impact that it can have on still other groups. It considers gender balance and the participation of stakeholders. During implementation, it ensures that the target groups are correctly identified

and helps ensure that they indeed remain the focus of interventions. It also contributes to monitoring change and to verifying that policies are achieving the intended impact.

8. In sum, social assessment can contribute, *inter alia*, to the following aims:

- To forecast *before* and evaluate *during* implementation the social impact of policies, programmes and projects;
- To assess what factors could improve the response of the poor to new incentives for raising their productivity and income;
- To analyse the poverty-reduction and employment content of public investment policies and expenditure reviews;
- To design social protection systems with particular reference to the poor, addressing periodic vulnerability;
- To strengthen the ownership of programmes by participatory processes that involve beneficiaries, government, civil society and other relevant actors.

9. Social impact is measured by absolute and relative changes in the standards of living of individuals or households. Absolute changes are an indication of the progress of individuals and households in the satisfaction of basic needs relative to a socially acceptable minimum. Relative changes refer to the different speeds at which the standards of living among individuals or households change in a given society. Relative changes in living standards are important because they measure social integration. Also, it is especially important to monitor relative changes in income of different social groups during financial crises or in the context of external shocks. In the case of the East Asian financial crisis, the sudden downturn of incomes for groups that had worked their way out of poverty and become accustomed to decades of uninterrupted progress, contributed to social instability and a breakdown of mechanisms for social integration. Perceptions of progress or regress, as a complement to data on absolute levels of income poverty, are particularly important elements of social impact assessment. Social well-being results not only from individuals' and households' satisfying their basic needs but also from such groups' perceiving themselves to be an integral part of society.

10. Indicators of social impact would typically be those measuring employment, absolute and relative income, and levels of education, health, housing and other social services, as well as indicators of social integration. Several lists of such indicators have been proposed by the United Nations as well as by other international organizations.[2] The issue of social impact assessment cannot be seen in isolation from the issue of the indicators that will be used to measure this impact.

II. Recent financial crises

11. The years following Copenhagen have been troubled by severe financial crisis, beginning with Thailand in July 1997, spreading elsewhere within Asia, particularly to Indonesia and the Republic of Korea, and then continuing with the Russian Federation in mid-1998, with Brazil closing the cycle later in the same year.

12. Although each crisis had its distinct precursors and trigger mechanisms, those precursors were, in general, high short-term debt relative to gross domestic product (GDP),[3] and decreasing productivity gains.[4] The sudden and snowballing loss of confidence of investors in the capacity of these countries to honour their debts and their rush to recover their capital were the immediate causes of the crises.[5] National currencies were sharply devaluated, interest rates were raised rapidly and the price of basic commodities escalated.

13. The cumulative impact of these monetary changes was serious economic contraction. Responding to the first symptoms of the crisis, commercial banks froze credit lines, pushing companies to cut down on production, reduce their labour force and sell assets to remain solvent. The potential for expanding exports as a result of the devaluation could not be realized immediately owing to reduced availability of credit. The crisis was further exacerbated by cutbacks in government expenditures,[6] although the three Asian countries most affected by the crises already had comparatively low levels of public expenditures relative to GDP.[7] As the crisis deepened, projected growth of output was revised downwards.

14. The financial crises have had a major impact on the social situation. The contraction of economic activity increased unemployment and underemployment and eroded household incomes.

Budget retrenchment and smaller social expenditures decreased access to social services. However, the social dislocation caused by the crisis is likely to have longer-term effects on social structures and the polity as well. Long after the economic crisis has been overcome, these effects are likely to be felt. The informal social assistance that families and households extended to their members in need was weakened, perhaps irrevocably, when the crisis outlasted the capacity of households to provide such support.

15. The impact of the crisis was made more severe by the fact that the countries concerned did not possess comprehensive systems of social protection, labour standards, active labour-market policies and balanced industrial relations. Either social protection systems were not created at all, or they were not fully operational at the time of the crisis. In any event, given the decades-long period of sustained full employment, many Asian developing countries had seen little urgency in establishing comprehensive systems of social protection. In the case of the formerly centrally planned economies, social protection had been largely supplied by the State enterprises in a regime of full employment. With the dissolution of the State industrial sector in the early years of the economic reform process, long before the crisis of 1998, such systems had been either reduced or abandoned as too expensive.

16. Also, in many of the affected countries, trade union movements were weak, had been discouraged for decades, or were undermined by the crisis in the industrial sector or by their association with past regimes. As a consequence, the social effects of the crisis were often passed on to the workers, without the countervailing influence of labour organizations.

17. The social situation was further worsened by the reduction in public expenditures required to meet budget deficit parameters agreed with multilateral financial institutions. Although social expenditures were to some extent protected against cuts across the board, reductions were unavoidable. Scattered evidence from micro-studies indicates that the crisis and the more limited availability of public services have reduced the access of the poor to these services, thereby negatively affecting the education and health situation of the population.

III. The scope for social impact assessment

A. Social impact assessment and financial crises

18. The crisis took the international business and economic policy communities by surprise. Few suspected that the Asian emerging economies, whose policies they had held up as models to the rest of the world, were about to suffer an economic crisis of such magnitude.[8]

19. The crisis also caught policy makers unprepared to address its social consequences. It was not immediately clear where the damage had been inflicted, how severe it was, and which groups suffered most. During the early days of the Asian crisis, data on its social impact were incomplete and incorrect and the capacity to collect them was weak. Because of the swiftness with which the crisis developed, long-term statistical series on poverty and social development were of little or no use in filling the information gap.

20. As a consequence, interventions were seldom effective. Emergency income maintenance programmes to provide employment and protect the vulnerable could not be started at short notice. When they finally were, it was later discovered that they had not benefited the areas that needed them most. The relevant offices of the public administration and organizations of civil society were unprepared to identify needs accurately, and to formulate and carry out projects to meet those needs on short notice. While several programmes were launched, often with external financial support, they were not always correctly targeted.

21. It is evident that a severe and sudden decline in the national product will have painful social effects. While better social impact assessment capability could not have averted the painful negative effects of the crisis altogether, a greater knowledge of how income losses would be distributed and an institutional capability to assess needs quickly and to set up emergency social assistance programmes could have helped alleviate the impact of the crisis on the most vulnerable groups.

22. Therefore, the case can be made for creating, alongside the process of reforming the world financial architecture to avoid the recurrence of crises of this

magnitude, institutional mechanisms to manage the social impacts of financial crises. In this context, the recommendation of the Social Summit that social concerns be taken into account while formulating economic programmes becomes particularly relevant. In fact, better management of the social impacts of financial crises can be seen as a stepping stone towards one of the larger objectives of the Social Summit in the context of the processes of globalization, namely, how to manage these processes and threats so as to enhance their benefits and mitigate their negative impacts upon people (see Copenhagen Declaration on Social Development,[9] para. 14).

B. Social impact assessment in the policy and project cycle

23. The application of social impact assessment in the context of financial crises should be seen in the context of its wider use in the policy and project cycle. The forecast of expected (ex ante) social impact and the ex post evaluation of actual impact of policies and programmes have been a common practice for quite some time in the framework of development cooperation. Bilateral and multilateral development agencies have made a practice of evaluating the projects that they finance.

24. However, the need for assessing the social impact of development policies has been growing in recent years both in developing and in developed countries as a result of several factors. One factor is a corollary of the shrinking role of the State in economic management. Decisions that shape the lives of millions of people are increasingly made by economic and financial actors, whose national affiliation has become increasingly blurred, and matters little in their decisions. Much as it may withdraw from economic planning and production, decentralize to lower administrative levels or devolve to private entities the management of its services, the State has the duty to ensure the welfare of its citizens. In order to promote its citizens' welfare, the State has a responsibility to either prevent or mitigate the negative social impact arising from economic policies, often deriving from the decisions of a myriad of economic actors. Social impact assessment methodologies and capacity acquire particular importance in strengthening Governments' ability to fulfil these responsibilities. In countries where representative democracy, and its corollary institutions, the free press, and a free and civil society, are still weak, there is an even stronger need to strengthen social impact assessments and national capacities to carry them out.

25. In the context of policy and programme design, targeting is an area where the need for social assessment has been growing in recent years. The State must ensure that the fewer resources it redistributes reach those who need them most. While there is debate on the respective merits of targeted versus universal services, there is no doubt that certain types of services, particularly social assistance involving cash transfers, require targeting beneficiaries on the basis of their needs. Social assessment, by frequently monitoring the conditions of beneficiaries, can improve targeting, at the same time as it evaluates programme impact and therefore seeks to improve the quality of services.

26. Another factor justifying the need for social impact assessment relates to recent changes in development cooperation, as a result of the growing perception among development specialists of the complexity and multidimensionality of underdevelopment and of the failure of many national projects to produce the results expected. One discrepancy between the values of the development agencies and those of the communities concerns the meaning of poverty.[10] Social assessment studies have revealed much to the surprise of Western development practitioners, that for many in developing countries, poverty is not only, or indeed not mainly, about income. In the Indian subcontinent, for instance, interviews with rural communities pointed out that the self-described poor were not necessarily those households with lowest incomes. Rather, they were those who lacked land and a large family, and had been obliged to leave for the city, where their income might be higher than that of those who stayed behind, but less secure and earned through occupations that afforded less dignity and prestige. Similarly, recent participatory poverty assessments in Africa, carried out by the World Bank, have helped identify the priorities of the poor. For instance, these assessments underlined the key importance of water supply, of security, and of access to services, government institutions and markets.[11]

27. One critical dimension of social assessment is the reliance for information and advice on the beneficiaries of the policies and programmes assessed. Social assessment gives a voice to the communities,

households and individuals whom development policies and programmes are intended to help but whose view of the world, whose knowledge of local reality and whose intellectual capacities they very seldom tap. "The depth and breadth of stakeholder involvement was a factor both in the quality of the assessment and in its effectiveness as an influence on policy."[12] Therefore social impact assessment is important not just in providing an accurate diagnosis or evaluation of a policy intervention, but also, through its participatory nature, in ensuring ownership and therefore achieving the desired impact of the policies being designed or evaluated.

28. Stakeholder analysis is an effective instrument for social assessment. Development is a goal shared by different stakeholders: policy makers, external support agencies, national Governments, civil society and the beneficiaries themselves. Each group has its own philosophy, interest and concerns, and it is essential that these are taken into account while formulating development policies and programmes.

29. In conclusion, social assessment has gained increased relevance in recent years as a result of several factors. One is the reduced role of the State in determining economic and financial policy which nevertheless has profound social impacts. Social impact assessment is an important tool for public policy in designing measures that will mitigate negative social impacts. The reform of social welfare systems through the shift from universal to targeted benefits requires enhanced capabilities for social targeting which social impact assessment can help provide. Finally, the failure and multidimensionality of some development programmes have led to the realization that inadequate attention to local factors was a cause in some cases. By promoting popular participation, social assessment can help rectify this shortcoming.

IV. Implementing social impact assessment

Managing complex social development strategies

30. The Copenhagen Programme of Action of the World Summit for Social Development encouraged countries to adopt an integrated approach to development. To act upon this recommendation, Governments have been called on to draft social development strategies and set up the appropriate coordination, monitoring and evaluation mechanisms. Those that have done so have normally created inter-ministerial coordination committees and entrusted the statistical departments with the task of monitoring and evaluating progress in social development. At times, this work has been entrusted to social or employment observatories. Typically, this task has involved collecting data on social indicators on a regular basis and data on income or consumption poverty every two years or more through appropriate household surveys. Also, occasional targeted studies have been carried out.

31. While this information is indispensable to assessing long-term trends, it is insufficient with respect to allowing the decision makers to verify whether the strategy has had the effects desired and to correct its course if it did not produce those effects. One of the reasons is lack of timeliness, which is a major constraint on nationwide household surveys. Another problem is related to the integrated nature of social strategies. Social assessment is well adapted to addressing integrated or multisectoral policy and programme interventions since it charts impact from the point of view of the intended beneficiaries as opposed to the point of view of the agencies responsible for implementing social policy, or for delivering operational programmes.

32. However, as has been demonstrated by recent financial crises, the capacity to rapidly assess the social impact both of domestic policy interventions, and of external financial and economic shocks, is usually lacking, particularly in those countries that are most socially vulnerable to such shocks. Developing both capabilities and institutional mechanisms for social impact assessment is furthermore instrumental in monitoring progress towards the achievement of targets agreed upon during the Social Summit as well as in carrying out the ongoing review and appraisal of implementation of the Social Summit's goals.

V. Conclusions and suggestions for action

A. Conclusions

33. While an appropriate financial architecture may well have prevented the financial crisis that struck a number of Asian, Eastern European and Latin American countries in 1997 and 1998, once unchained the crisis could not fail to have a major social impact. The fall in output that it caused was of such magnitude that the employment situation and the levels of income were bound to decline, particularly in countries that lacked solid social protection legislation and a strong trade union movement.

34. Social impact assessment could have helped distribute the pain more fairly and spared the vulnerable groups the most severe forms of distress. The data needed to target the most affected groups of the population and to design emergency programmes to meet their priority needs were not available. Nor did the institutions charged with formulating these programmes have the capacity to collect these data. As a result, the emergency programmes designed in the immediate aftermath of the crisis sometimes went to the people and regions whose need was not greatest, and provided goods and services that were not necessarily in short supply.

35. The lessons learned from those crises might therefore stimulate Governments to establish capabilities for social impact assessment as critical components of overall disaster preparedness. These capabilities will be called for in the case of the recurrence of the financial crises or, indeed, of all forms of natural and man-made disasters.

36. However, social impact assessment can be used as well for the formulation, monitoring and evaluation of all development policies and programmes, of which those aimed at alleviating the impact of the financial crises are a subset. This report argues that the need for capacities in this field has been growing in recent years, owing to several factors, such as:

- The reduction of the role of the State in the economy;
- The growing recourse to the implementation of social strategies and programmes;
- The implementation of economic reform packages in developing countries;
- The need to assess the social impact of recent financial crises and other external shocks;
- The need to ensure that scarce resources for social welfare go to the neediest;
- The multidisciplinary nature of development policies and programmes;
- The failure of some development programmes and projects.

B. Options for action at the national level

37. Countries at all levels of development should create capabilities for social assessment. The issue is what these skills should be, where they should be located and how to mobilize the required technical and financial assistance. While each Government will decide which approach is preferable, a few observations based on an assessment of concrete experiences are made below.

38. Looking at the likely social impact of alternative policy options should be an essential component of all policy formulation exercises. In countries undergoing structural adjustment or economic reform, the need for social impact capabilities is evident. While recent programmes have been designed to alleviate the most severe impacts of adjustment, whether or not they have done so in actual practice is uncertain. Hence, there is a need for regular, frequent monitoring and evaluation of impact. Countries that, for whatever reason, are vulnerable to financial and other man-made disasters, or to natural disasters, should strengthen their capacity for rapid social assessment in the context of the overall preparedness to such crises.

39. There is a particular need for social assessment in the context of the follow-up to the Social Summit. For most countries, the review and appraisal of progress in the achievement of the goals of the Summit will be based on statistics, although there are a few that will have to rely on other, less costly indicators and methods. The follow-up to the Social Summit requires the establishment of monitoring and evaluation mechanisms that must be based largely on social assessment methods.

40. Capabilities for social assessment should be available in institutions designed to formulate, monitor and evaluate development policies and programmes. In view of the progress of decentralization of such institutions — progress that, though halting and incomplete, is occurring in countries at all levels of development — these capabilities should be available at both the central and local levels. Local authorities are increasingly responsible for social welfare because social welfare programmes are usually the first to be decentralized.

41. While it can contribute to improving the quality of poverty estimates, social assessment does not replace formal statistical methods for nationwide measurement of changes in poverty levels. This is so unless costs are a central concern and unless capacities for formal statistical analysis are not available, as is the case, for instance, in conflict and post-conflict situations, particularly in regions directly affected by war. Social assessment should be seen as a tool in policy and programme management.

42. The issue of where to place institutional capabilities for social assessment at the central level is complex. Statistical offices are one possible choice. They exist in most countries, and have grown stronger in recent years, largely as the result of the interest of the international community in better and more abundant data on social and economic development. However, the background of social assessment specialists is more centred in social anthropology, sociology or social welfare than in statistics. The skills required are more centred in analysis than in the collection of data. The best location for social assessment capabilities would therefore appear to be in planning or finance ministries alongside the department of statistics. Smaller sections could also be created as part of the policy analysis capability in other "social" ministries, particularly those whose work has the greatest impact on the population, such as the ministry of labour or social welfare.

43. Also, in countries that have formulated a national social development strategy and have established inter-ministerial monitoring and evaluation mechanisms, the capabilities for social assessment should be provided to the institutions that provide technical support to these mechanisms.

C. Options for action at the international level

44. Technical and financial assistance should be provided to developing countries and countries with economies in transition to strengthen their capabilities in social impact assessment. This is particularly urgent in the context of the follow-up to the Social Summit. Countries that do not fully possess the capabilities to report accurately on progress achieved in the implementation of the Social Summit should be assisted in complementing the information available from formal statistical sources with qualitative information from social assessment. This additional knowledge could be used to improve the quality of the information provided to the United Nations in the context of the ongoing exercise on review and appraisal of the implementation of the outcome of the World Summit for Social Development.

45. In view of the potential role of social assessment for the follow-up to the Social Summit, the necessary technical and financial assistance to developing countries and countries in transition could be provided through the United Nations Secretariat. The technical cooperation functions of the Secretariat, particularly its advisory services, could therefore be strengthened and supported in order to enable it to assist countries in developing social impact assessment capabilities.

Notes

[1] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex II.

[2] See *Handbook on Social Indicators*, Studies in Methods, No. 49 (United Nations publication, Sales No. E.89.XVII.6). See also report of the Secretary-General on a critical review of the development of indicators in the context of conference follow-up, submitted to the informal meeting on development indicators of the Economic and Social Council, New York, 10 and 11 May 1999, under the agenda item entitled "Integrated and coordinated implementation and follow-up of major United Nations conferences and summits".

[3] The Republic of Korea had short-term debt three times its foreign reserves, and Indonesia and Thailand had short-term debt almost two times their foreign reserves.

[4] This, however, was not the case for Brazil, where all fundamentals were solid, and economic policies prior to

the crisis were orthodox. See Paul Krugman, "Don't blame it on Rio ... or on Brasilia either". Slate Archives, 11 February 1999 (http://slate.msn.com/Dismal/99-02-11/Dismal.asp#19111).

[5] This mistrust was only marginally indicated by economic indicators, which generally showed the three Asian countries to have been growing rapidly and consistently before the crisis.

[6] The decrease in government expenditures in Thailand was of the order of 15 per cent.

[7] In 1995, the shares of central government expenditures relative to gross domestic product (GDP) were 11 per cent, 16 per cent and 18 per cent for Thailand, Indonesia and the Republic of Korea respectively.

[8] It has been argued that the policies implemented to restore market confidence backfired, causing the crisis to deepen even further. Raising interest rates to very high levels and reducing public expenditures may have given potential investors a notion that the crisis was more severe than the facts indicated. See Eddy Lee, *The Asian Financial Crisis* (Geneva, International Labour Organization (ILO), 1998).

[9] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I.

[10] United Nations Development Programme (UNDP), *Overcoming Human Poverty: UNDP Poverty Report* (UNDP, 1998); and J. Beall and others, *Social Safety Nets and Social Networks: Their Role in Poverty Alleviation in Pakistan* (United Kingdom, University College, London, Development Planning Unit, 1994).

[11] D. Booth and others, "Participatory poverty assessment: the World Bank contribution and emerging agenda", in *Urban Poverty in Africa: From Understanding to Alleviation*, S. Jones and N. Nelson, eds. (Intermediate Technology Publications, 1999).

[12] Ibid.

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Resources for social development: additional and innovative measures

Report of the Secretary-General

1. The Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives at its first substantive session in May 1999, in paragraph 23 of the annex to its decision,[1] requested the Secretary-General, in collaboration with relevant organizations, to present a report to the Preparatory Committee at its second substantive session with proposals for additional and innovative sources to obtain resources for social development. The present report is presented in response to this request and highlights innovative proposals in raising funds for the needs of social development.

2. Mobilization of additional resources for social development remains an acute challenge for all countries. Therefore additional and innovative measures may well have to include means both to increase the share of public expenditure in gross domestic product (GDP) and to relocate public expenditures in favour of social development. Both the share and the composition of public expenditure can be seen as indicators, reflecting how much importance is attached to social development objectives among many factors and competing priorities. Overall social budgeting (that is to say, earmarking of a share of budget allocations to specific social purposes) plays an important and often increasing role in budget formulation. Because social expenditures are especially vulnerable to fluctuations in GDP, fiscal stabilization is an important precondition for maintaining them. At the same time, many Governments strive to ensure cost-effectiveness of social spending by improving the mechanisms for social investment.

3. While mobilization of resources for social development may be country-specific, there are

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numerous additional national sources that could be mobilized for social development if coordinated action, backed up by political will, is taken by Governments and the international community. The prerequisites of such action include, *inter alia*, transparency, and minimization or removal of discretion in tax law and administration, principally to reduce the opportunities for corruption, tax evasion and erosion of tax receipts, as well as addressing those aspects of globalization and liberalization that tend to erode existing sources of public finance. Therefore, action at local, national and global levels are often interrelated and, in a number of cases, a link between national and international action would be beneficial for social development finance. When considering the variety of paths available for mobilizing and reallocating resources, Governments will have to weigh the possible economic burdens and political costs of each proposal against potential pay-offs in terms of social development.

4. One of the responsibilities of Governments is to ensure macroeconomic stability that increases time-horizons and decreases uncertainty. A stable and predictable environment is also crucial for increasing confidence of foreign investors and lenders. One element of macroeconomic stability that is particularly important in mobilizing resources for social development is a well-organized financial system. Such a system, including reliable banking, provides a foundation for social development as it increases opportunities for channelling of the resources into the priority areas of public concern. At the same time, excessive rigidity of the financial system may be detrimental to the social policy efforts, as it could prevent the introduction of necessary adjustments required by domestic circumstances. Public authorities should ensure that controls and regulations do serve their intended purposes and that public policy is transparent.

5. The acquisition of resources through financial intermediation as well as community mobilization is an important way of increasing the domestic resource base. The erosion of existing sources of public finance should be resisted, while public resources should be more effectively secured for social development through tying revenue to outlay, and through fiscal stabilization. How revenue is allocated and whether social budgeting receives priority as part of the national budget cycle are a country-specific issue. It is a responsibility of the Governments to ensure that social sector expenditures both receive a fair share of additional tax revenues and do not suffer disproportionate cuts when revenue falls. Overall, the share of public expenditure allocated for social purposes is the outcome of numerous considerations, including the acuteness of social challenges at the national level, the contribution of the private sector resources for the solution of those problems and the amenability of those problems to solution by public sector intervention.[2]

6. In recent years, increased attention has been paid to new methods of intermediation for the benefit of the poor, such as commercialized microfinance.[3] Often this method of raising funds is associated with providing benefits to those unable to access formal finance from financial institutions and markets. Apart from emergence of microfinance institutions, a number of other innovations seeking to combine the best characteristics of the informal and the formal financial sector have appeared in recent years (for example, new linkages between formal and informal institutions, new microlending and small business credit schemes, downscaling of commercial banks and so forth). In essence, this method of mobilization of resources for social needs boils down to a question of removing obstacles to certain types of loan transaction that would be of value to both lenders and borrowers — with very poor people benefiting directly or indirectly. These methods have the great advantage that they can be employed without the need to raise or commit public funds, or at least without the need to do so after an initial period.[3]

7. Apart from various microfinance and credit creation schemes, other innovative ways of raising funds for social development have been explored at the national level. One of those has been increased participation of communities in provision of social services. Community participation for the planning, provision and maintenance of local infrastructure through mechanisms such as community contracting and remunerated labour-based public works, *inter alia*, in cooperation with national and international non-governmental organizations, can help to tap additional resources for social needs (A/AC.253/13-E/CN.5/2000/2, paras. 317-319).

Priorities for consideration

8. Governments may wish to consider further means to tap additional resources for social development at the national level by, *inter alia*:

- Providing the agencies responsible for local taxation with the legislative authority to apply local site-ownership levies based on increases in property values that result from the extension or improvement of local infrastructure;
- Full exploitation of the possibilities of taxes precisely targeted on the site-value of land and the rents of other mineral resources;
- Removal, in all countries retaining them, of tax allowances for bribes paid in foreign countries, as well as confiscation of illegally acquired funds.

9. At the international level, Governments may wish to consider further cooperative measures that would enable them to raise additional national revenues for social development by, *inter alia*:

- Negotiation of formulae, based on objective criteria, for dividing the liability of transnational corporations for paying tax on profits among the various jurisdictions in which they operate;
- Negotiation of limits on the form and extent of direct-tax incentives, and use of tax shelters and tax havens, as well as minimum levels of corporate taxation;
- Development of more effective international incentives and insurance for stabilization of fiscal expenditure in countries heavily dependent on primary exports;
- Exchange of information to prevent tax avoidance;
- A market-based revenue measure designed to be a disincentive to short-term international financial movements that threaten excessively rapid changes in effective exchange rates of particular currencies;
- Progressive negotiation of changes in national legislation to make possible (under suitable safeguards against inappropriate use) a system of exchange of information among tax authorities about the tax liabilities of transnational income-earners under their respective jurisdictions.

10. Apart from measures of a general nature, mobilization of additional resources could be undertaken in specific areas, for example, in health services. This could be done through devising arrangements and incentives to mobilize commercial enterprises — especially in pharmaceuticals — to invest in research aimed at finding remedies for diseases that afflict particularly people in developing countries and that can be provided at manageable cost; these efforts could be supported through international action to guarantee, by underwriting, markets of specified extent at specified maximum prices for drugs that meet agreed criteria.

11. Rather than constitute recommendations, the possibilities mentioned in this report are presented at the request of the Preparatory Committee for consideration as some areas for possible action within the context of a broad array of possible options.

Notes

[1] See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 45* (A/54/45 and Corr.1), chap. VI, sect. B.

[2] See comprehensive report of the Secretary-General on the implementation of the outcome of the World Summit for Social Development (A/AC.253/13-E/CN.5/2000/2), of 14 December 1999, part one, sect. V, entitled "Mobilization and utilization of resources for social development".

[3] For details, see *World Economic and Social Survey 1999* (United Nations publication, Sales No. E.99.II.C.1), chap. VII, entitled "Bringing financial services to the poor".